AVALONBAY COMMUNITIES INC
Form 10-K
February 26, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2015
Commission file number 1-12672
AVALONBAY COMMUNITIES, INC.
(Exact name of registrant as specified in its charter)

Maryland	77-0404318
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

Ballston Tower
671 N. Glebe Rd, Suite 800
Arlington, Virginia 22203
(Address of principal executive offices, including zip code)

(703) 329-6300
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

(Title of each class)	(Name of each exchange on which registered)
Common Stock, par value $.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None
Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes ý No o
Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.
Yes o No ý
Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding twelve (12) months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ý No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes ý No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ý
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ý	Accelerated filer o	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).
Yes o No ý
The aggregate market value of the registrant's Common Stock, par value $.01 per share, held by nonaffiliates of the registrant, as of June 30, 2015 was $21,847,735,762.
The number of shares of the registrant's Common Stock, par value $.01 per share, outstanding as of January 29, 2016 was 137,002,607.
Documents Incorporated by Reference
Portions of AvalonBay Communities, Inc.'s Proxy Statement for the 2016 annual meeting of stockholders, a definitive copy of which will be filed with the SEC within 120 days after the year end of the year covered by this Form 10-K, are incorporated by reference herein as portions of Part III of this Form 10-K.

Table of Contents

TABLE OF CONTENTS

Table of Contents

PART I

This Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Our actual results could differ materially from those set forth in each forward-looking statement. Certain factors that might cause such a difference are discussed in this report, including in the section entitled "Forward-Looking Statements" included in this Form 10-K. You should also review Item 1A. "Risk Factors" for a discussion of various risks that could adversely affect us.

ITEM 1. BUSINESS

General

AvalonBay Communities, Inc. (the “Company,” which term, unless the context otherwise requires, refers to AvalonBay Communities, Inc. together with its subsidiaries), is a Maryland corporation that has elected to be treated as a real estate investment trust (“REIT”) for federal income tax purposes. We develop, redevelop, acquire, own and operate multifamily communities primarily in New England, the New York/New Jersey metro area, the Mid-Atlantic, the Pacific Northwest, and Northern and Southern California. We focus on leading metropolitan areas in these regions that we believe are characterized by growing employment in high wage sectors of the economy, lower housing affordability and a diverse and vibrant quality of life. We believe these market characteristics offer the opportunity for superior risk-adjusted returns on apartment community investments relative to other markets.

At January 31, 2016, we owned or held a direct or indirect ownership interest in:

- 257 operating apartment communities containing 75,549 apartment homes in 10 states and the District of Columbia, of which 238 communities containing 69,652 apartment homes were consolidated for financial reporting purposes, two communities containing 618 apartment homes were held by joint ventures in which we hold an ownership interest, and 17 communities containing 5,279 apartment homes were owned by the Funds (as defined below). Nine of the consolidated communities containing 2,795 apartment homes were under redevelopment, as discussed below;
- 26 wholly-owned communities under construction that are expected to contain an aggregate of 8,112 apartment homes when completed; and
- rights to develop an additional 32 communities that, if developed in the manner expected, will contain an estimated 9,634 apartment homes.

We generally obtain ownership in an apartment community by developing a new community on either vacant land or land with improvements that we raze, or by acquiring an existing community. In selecting sites for development or acquisition, we favor locations that are near expanding employment centers and convenient to transportation, recreation areas, entertainment, shopping and dining.

Our consolidated real estate investments consist of the following reportable segments: Established Communities, Other Stabilized Communities and Development/Redevelopment Communities.

Established Communities are generally operating communities that were owned and had stabilized occupancy and operating expenses as of the beginning of the prior year such that year-over-year comparisons are meaningful. Other Stabilized Communities are generally all other operating communities that have stabilized occupancy and operating expenses during the current year, but that were not owned or had not achieved stabilization as of the beginning of the prior year such that year-over-year comparisons are not meaningful, as well as communities that are planned for disposition during the current year. Development/Redevelopment Communities consist of communities that are under construction, communities where substantial redevelopment is in progress or is planned to begin during the current year and communities under lease-up. A more detailed description of these segments and other related information can be found in Note 8, "Segment Reporting," of the Consolidated Financial Statements set forth in Item 8 of this report.

Table of Contents

Our principal financial goal is to increase long-term shareholder value through the development, redevelopment, acquisition, operation and, when appropriate, disposition of apartment communities in our markets. To help meet this goal, we regularly (i) monitor our investment allocation by geographic market and product type, (ii) develop, redevelop and acquire interests in apartment communities in our selected markets, (iii) selectively sell apartment communities that no longer meet our long-term strategy or when opportunities are presented to realize a portion of the value created through our investment and redeploy the proceeds from those sales and (iv) endeavor to maintain a capital structure that is aligned with our business risks with a view to maintaining continuous access to cost-effective capital. We pursue our development, investment and operating activities with the purpose of Creating a Better Way to Live. Our strategic vision is to be the leading apartment company in select US markets, providing a range of distinctive living experiences that customers value. We pursue this vision by targeting what we believe are the best markets and submarkets, leveraging our strategic capabilities in market research and consumer insight and being disciplined in our capital allocation and balance sheet management. In addition to our in-house development and construction capabilities, we supplement our growth through our in-house redevelopment and acquisition platforms. We believe that our organizational structure, which includes dedicated development and operational teams in each of our regions, and strong culture are key differentiators and provide us with access to highly talented, dedicated and capable associates.

We operate our apartment communities under three core brands Avalon, AVA and Eaves by Avalon. We believe that this branding differentiation allows us to target our product offerings to multiple customer groups and submarkets within our existing geographic footprint. The "Avalon" brand is our core offering, focusing on upscale apartment living and high end amenities and services in urban and suburban markets. Our "AVA" brand is designed for people who want to live in or near urban neighborhoods and in close proximity to public transportation, services, shopping and night-life. AVA apartments are generally smaller, many engineered for roommate living and feature modern design and a technology focus. Our Eaves by Avalon brand is designed for renters who seek good quality apartment living, often in a suburban setting, with practical amenities and services at a more modest price point.

On February 27, 2013, pursuant to an asset purchase agreement dated November 26, 2012, the Company, together with Equity Residential, acquired, directly or indirectly, all of the assets owned by Archstone Enterprise LP ("Archstone," which has since changed its name to Jupiter Enterprise LP), including all of the ownership interests in joint ventures and other entities owned by Archstone, and assumed Archstone’s liabilities, both known and unknown, with certain limited exceptions. Under the terms of the purchase agreement, the Company acquired approximately 40.0% of Archstone's assets and liabilities and Equity Residential acquired approximately 60.0% of Archstone’s assets and liabilities (the “Archstone Acquisition”).

During the three years ended December 31, 2015, excluding activity for the Funds (as defined below) and interests acquired in unconsolidated joint ventures as part of the Archstone Acquisition detailed below, we acquired 56 apartment communities, of which 54 were acquired as part of the Archstone Acquisition. During the three years ended December 31, 2015, we disposed of 17 apartment communities, six of which were acquired in the Archstone Acquisition, and completed the development of 42 apartment communities and the redevelopment of 15 apartment communities. In addition, we acquired two wholly-owned communities in 2016 through the date this Form 10-K was filed.

In March 2005, we formed AvalonBay Value Added Fund, L.P. ("Fund I"), a private, discretionary real estate investment vehicle, which we managed and in which we owned a 15.2% interest. Fund I acquired communities with the objective of either redeveloping or repositioning them, or taking advantage of market cycle timing and improved operating performance. From its inception in March 2005 through the close of its investment period in 2008, Fund I acquired 20 communities. During the three years ended December 31, 2015, we realized our pro rata share of the gain from the sale of the last of the 11 communities owned by Fund I. Fund I disposed of the last of its communities in 2014, and was dissolved in April 2015.

In September 2008, we formed AvalonBay Value Added Fund II, L.P. ("Fund II"), a second institutional discretionary real estate investment fund which we manage and in which we own a 31.3% interest. In 2012, Fund II acquired its final operating community. From the commencement of Fund II through the close of its investment period, Fund II acquired 13 operating communities. During the three years ended December 31, 2015, we realized our pro rata share of the gain from the sale of seven communities owned by Fund II. In 2016, through the date this Form 10-K was filed, Fund II sold one community.

In conjunction with the Archstone Acquisition, excluding the Residual JV, we acquired interests in three additional joint ventures, Archstone Multifamily Partners AC LP (the "U.S. Fund"), Archstone Multifamily Partners AC JV LP (the "AC JV") and Brandywine Apartments of Maryland, LLC ("Brandywine").

The U.S. Fund was formed in July 2011 and is fully invested. As of December 31, 2015, the U.S. Fund owns nine communities containing 1,730 apartment homes, one of which includes a marina containing 229 boat slips. Through subsidiaries, we acquired and own the general partner of the fund and hold a 28.6% interest in the fund. In 2016, through the date this Form 10-K was filed, the U.S. Fund had sold two communities.

Table of Contents

The AC JV is a joint venture in which we acquired Archstone's 20.0% ownership interest. The AC JV was formed in 2011 and owns three operating apartment communities containing 921 apartment homes, one of which completed development in 2014. The AC JV partnership agreement contains provisions that require us to provide a right of first offer ("ROFO") to the AC JV in connection with additional opportunities to acquire or develop additional interests in multifamily real estate assets within a specified geographic radius of the existing assets, generally one mile or less. The ROFO restriction expires in 2019.

Brandywine owns a 305 apartment home community located in Washington, DC, which is managed by a third party. Brandywine is comprised of five members who hold various interests in the joint venture. In conjunction with the Archstone Acquisition, we acquired a 26.1% equity interest in the venture, and subsequently purchased an additional 2.6% interest, and as of December 31, 2015, hold a 28.7% equity interest in the venture.

A more detailed description of Fund I, Fund II, and the U.S. Fund (collectively, the "Funds"), the AC JV, Brandywine and the related investment activity can be found in the discussion in Note 5, "Investments in Real Estate Entities," of the Consolidated Financial Statements in Item 8 of this report and in Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations."

Through subsidiaries, the Company and Equity Residential entered into three limited liability company agreements (collectively, the “Residual JV”) through which the Company and Equity Residential acquired (i) certain assets of Archstone that the Company and Equity Residential have divested (to third parties or to the Company or Equity Residential) (the “Residual Assets”), and (ii) various liabilities of Archstone that the Company and Equity Residential agreed to assume in conjunction with the Archstone Acquisition (the “Residual Liabilities”). The Residual Assets included a 20.0% interest in Lake Mendota Investments, LLC and Subsidiaries ("SWIB"), a joint venture which disposed of the last of its communities in 2015, various licenses, insurance policies, contracts, office leases and other miscellaneous assets. The Residual Liabilities include most existing or future litigation and claims related to Archstone’s operations for periods before the close of the Archstone Acquisition, except for (i) claims that principally relate to the physical condition of the assets acquired directly by the Company or Equity Residential, which generally remain the sole responsibility of the Company or Equity Residential, as applicable, and (ii) certain tax and other litigation between Archstone and various equity holders in Archstone related to periods before the close of the Archstone Acquisition, and claims which may arise due to changes in the capital structure of Archstone that occurred prior to closing, for which the seller has agreed to indemnify the Company and Equity Residential. The Company and Equity Residential jointly control the Residual JV and the Company holds a 40.0% economic interest in the Residual JV.

During 2015, we sold seven operating communities including sales by unconsolidated entities, excluding the Residual JV, and recognized a gain in accordance with U.S. generally accepted accounting principles ("GAAP") of $145,351,000. In addition, we sold two undeveloped land parcels and air rights, representing the right to increase density for future residential development, and recognized a gain in accordance with GAAP of $9,647,000.

A further discussion of our development, redevelopment, disposition, acquisition, property management and related strategies follows.

Development Strategy. We select land for development and follow established procedures that we believe minimize both the cost and the risks of development. As one of the largest developers of multifamily rental apartment communities in our selected markets, we identify development opportunities through local market presence and access to local market information achieved through our regional offices. In addition to our principal executive office in Arlington, Virginia, we also maintain regional offices, administrative offices or specialty offices, including offices that are in or near the following cities:

- Boston, Massachusetts;
- Fairfield, Connecticut;
- Irvine, California;
- Long Island, New York;
- Los Angeles, California;
- New York, New York;
- San Diego, CA;

- San Francisco, California;
- San Jose, California;
- Seattle, Washington;

3

Table of Contents

- Virginia Beach, Virginia; and
- Woodbridge, New Jersey.

After selecting a target site, we usually negotiate for the right to acquire the site either through an option or a long-term conditional contract. Options and long-term conditional contracts generally allow us to acquire the target site shortly before the start of construction, which reduces development-related risks and preserves capital. However, as a result of competitive market conditions for land suitable for development, we have sometimes acquired and held land prior to construction for extended periods while entitlements are obtained, or acquired land zoned for uses other than residential with the potential for rezoning. For further discussion of our Development Rights, refer to Item 2. "Communities" in this report.

We generally act as our own general contractor and construction manager, except for certain mid-rise and high-rise apartment communities, where we may elect to use third-party general contractors as construction managers. We generally perform these functions directly (although we may use a wholly-owned subsidiary) both for ourselves and for the joint ventures and partnerships of which we are a member or a partner. We believe direct involvement in construction enables us to achieve higher construction quality, greater control over construction schedules and cost savings. Our development, property management and construction teams monitor construction progress to ensure quality workmanship and a smooth and timely transition into the leasing and operating phase.

During periods where competition for development land is more intense, we may acquire improved land with existing commercial uses and rezone the site for multifamily residential use. During the period that we hold these buildings for future development, any rent received in excess of expenses from these operations, which we consider to be incidental, is accounted for as a reduction in our investment in the development pursuit and not as net income. Any expenses relating to these operations, in excess of any rents received, are accounted for as a reduction in net income.

We have also participated, and may in the future participate, in master planned or other large multi-use developments where we commit to build infrastructure (such as roads) to be used by other participants or commit to act as construction manager or general contractor in building structures or spaces for third parties (such as unimproved ground floor retail space, municipal garages or parks). Costs we incur in connection with these activities may be accounted for as additional invested capital in the community or we may earn fee income for providing these services. Particularly with large scale, urban in-fill developments, we may engage in significant environmental remediation efforts to prepare a site for construction.

Throughout this report, the term "development" is used to refer to the entire property development cycle, including pursuit of zoning approvals, procurement of architectural and engineering designs and the construction process. References to "construction" refer to the actual construction of the property, which is only one element of the development cycle.

Redevelopment Strategy. When we undertake the redevelopment of a community, our goal is to renovate and/or rebuild an existing community so that our total investment is generally below replacement cost and the community is well positioned in the market to achieve attractive returns on our capital. We have dedicated redevelopment teams and procedures that are intended to control both the cost and risks of redevelopment. Our redevelopment teams, which include redevelopment, construction and property management personnel, monitor redevelopment progress. We believe we achieve significant cost savings by undertaking the redevelopment primarily through an occupied turn strategy, in which we continue to operate the community as we install improvements, working to minimize any impact on our current residents.

Throughout this report, the term "redevelopment" is used to refer to the entire redevelopment cycle, including planning and procurement of architectural and engineering designs, budgeting and actual renovation work. The actual renovation work is referred to as "reconstruction," which is only one element of the redevelopment cycle.

Disposition Strategy. We sell assets that no longer meet our long-term strategy or when market conditions are favorable, and we redeploy the proceeds from those sales to develop, redevelop and acquire communities and to rebalance our portfolio across or within geographic regions. This also allows us to realize a portion of the value created through our investments and provides additional liquidity. We are then able to redeploy the net proceeds from our dispositions in lieu of raising that amount of capital externally. When we decide to sell a community, we generally solicit competing bids from unrelated parties for these individual assets and consider the sales price of each proposal.

As part of the Archstone Acquisition, we acquired 14 assets that had previously been contributed by third parties on a tax-deferred basis to an Archstone partnership in which the third parties received ownership interests. To protect the tax-deferred nature of the contribution, the third parties are entitled to cash payments if we trigger tax obligations to the third parties by selling, or repaying secured financing on, the contributed assets. As of December 31, 2015, the aggregate amount of the tax protection payments that would be triggered by the sale of all 14 contributed assets is estimated to be approximately $41,700,000.

Acquisition Strategy. Our core competencies in development and redevelopment discussed above allow us to be selective in the acquisitions we target. Acquisitions allow us to achieve rapid penetration into markets in which we desire an increased presence.

Table of Contents

Acquisitions (and dispositions) also help us achieve our desired product mix or rebalance our portfolio. Portfolio growth also allows for fixed general and administrative costs to be a smaller percentage of overall community Net Operating Income ("NOI").

While we have achieved growth in the past through the establishment of discretionary real estate investments funds, which placed certain limitations on our ability to acquire new communities during their investments periods, we are not presently pursuing the formation of a new discretionary real estate investment fund, preferring at this time to maintain flexibility in shaping our portfolio of wholly-owned assets through acquisitions and dispositions.

Property Management Strategy. We seek to increase operating income through innovative, proactive property management that will result in higher revenue from communities while constraining operating expenses. Our principal strategies to maximize revenue include:

- focusing on resident satisfaction;
- staggering lease terms such that lease expirations are better matched to traffic patterns;
- balancing high occupancy with premium pricing and increasing rents as market conditions permit; and
- employing revenue management software to optimize the pricing and term of leases.

Constraining growth in operating expenses is another way in which we seek to increase earnings growth. Growth in our portfolio and the resulting increase in revenue allows for fixed operating costs to be spread over a larger volume of revenue, thereby increasing operating margins. We constrain growth in operating expenses in a variety of ways, which include, but are not limited to, the following:

- we use purchase order controls, acquiring goods and services from pre-approved vendors;
- we use national negotiated contracts and also purchase supplies in bulk where possible;
- we bid third-party contracts on a volume basis;
- we strive to retain residents through high levels of service in order to eliminate the cost of preparing an apartment home for a new resident and to reduce marketing and vacant apartment utility costs;
- we perform turnover work in-house or hire third parties, generally considering the most cost effective approach as well as expertise needed to perform the work;
- we undertake preventive maintenance regularly to maximize resident safety and satisfaction, as well as to maximize property and equipment life;
- we have established a customer care center, centralizing and improving the efficiency and consistency in the application of Company policies for many of the administrative tasks associated with owning and operating apartment communities; and
- we aggressively pursue real estate tax appeals.

On-site property management teams receive bonuses based largely upon the revenue, expense and NOI produced at their respective communities. We use and continuously seek ways to improve technology applications to help manage our communities, believing that the accurate collection of financial and resident data will enable us to maximize revenue and control costs through careful leasing decisions, maintenance decisions and financial management.

We generally manage the operation and leasing activity of our communities directly (although we may use a wholly-owned subsidiary) both for ourselves and the joint ventures and partnerships of which we are a member or a partner. From time to time we may engage a third party to manage leasing and/or maintenance activity at one or more of our communities.

From time to time we also pursue or arrange ancillary services for our residents to provide additional revenue sources or increase resident satisfaction. As a REIT, we generally cannot provide direct services to our residents that are not customarily provided by a landlord, nor can we directly share in the income of a third party that provides such services. However, we can provide such non-customary services to residents or share in the revenue from such services if we do so through a "taxable REIT subsidiary," which is a subsidiary that is treated as a "C corporation" subject to federal income taxes. See "Tax Matters" below.

Financing Strategy. We maintain a capital structure that provides financial flexibility to ensure we can select cost effective capital market options that are well matched to our business risks. We estimate that our short-term liquidity needs will be met from cash on hand, borrowings under our $1,500,000,000 revolving variable rate unsecured credit facility (the "Credit Facility"), sales of current operating communities and/or issuance of additional debt or equity securities. A determination to engage in an equity or

5

debt offering depends on a variety of factors such as general market and economic conditions, our short and long-term liquidity needs, the relative costs of debt and equity capital and growth opportunities. A summary of debt and equity activity for the last three years is reflected on our Consolidated Statement of Cash Flows of the Consolidated Financial Statements set forth in Item 8 of this report.

We have entered into, and may continue in the future to enter into, joint ventures (including limited liability companies or partnerships) through which we would own an indirect economic interest of less than 100% of the community or communities owned directly by such joint ventures. Our decision to either hold an apartment community in fee simple or to have an indirect interest in the community through a joint venture is based on a variety of factors and considerations, including: (i) the economic and tax terms required by a seller of land or of a community; (ii) our desire to diversify our portfolio of communities by market, submarket and product type; (iii) our desire at times to preserve our capital resources to maintain liquidity or balance sheet strength; and (iv) our projection, in some circumstances, that we will achieve higher returns on our invested capital or reduce our risk if a joint venture vehicle is used. Investments in joint ventures are not limited to a specified percentage of our assets. Each joint venture agreement is individually negotiated, and our ability to operate and/or dispose of a community in our sole discretion may be limited to varying degrees depending on the terms of the joint venture agreement.

In addition, from time to time, we may offer shares of our equity securities, debt securities or options to purchase stock in exchange for property. We may also acquire properties in exchange for properties we currently own.

Other Strategies and Activities. While we emphasize equity real estate investments in rental apartment communities, we have the ability to invest in other types of real estate, mortgages (including participating or convertible mortgages), securities of other REITs or real estate operating companies, or securities of technology companies that relate to our real estate operations or of companies that provide services to us or our residents, in each case consistent with our qualification as a REIT. In addition, we own and lease retail space at our communities when either (i) the highest and best use of the space is for retail (e.g., street level in an urban area); (ii) we believe the retail space will enhance the attractiveness of the community to residents or; (iii) some component of retail space is required to obtain entitlements to build apartment homes. As of December 31, 2015, we had a total of 660,605 square feet of rentable retail space, excluding retail space within communities currently under construction. Gross rental revenue provided by leased retail space in 2015 was $18,528,000 (1.0% of total revenue). We may also develop a property in conjunction with another real estate company that will own and operate the retail or for-sale residential components of a mixed-use building or project that we help develop. If we secure a development right and believe that its best use, in whole or in part, is to develop the real estate with the intent to sell rather than hold the asset, we may, through a taxable REIT subsidiary, develop real estate for sale. Any investment in securities of other entities, and any development of real estate for sale, is subject to the percentage of ownership limitations, gross income tests, and other limitations that must be observed for REIT qualification.

We have not engaged in trading, underwriting or agency distribution or sale of securities of other issuers and do not intend to do so. At all times we intend to make investments in a manner so as to qualify as a REIT unless, because of circumstances or changes to the Internal Revenue Code of 1986, as amended (the "Code") (or the Treasury Regulations thereunder), our Board of Directors determines that it is no longer in our best interest to qualify as a REIT.

Tax Matters

We filed an election with our 1994 federal income tax return to be taxed as a REIT under the Code and intend to maintain our qualification as a REIT in the future. As a qualified REIT, with limited exceptions, such as those described under "Property Management Strategy" above, we will not be taxed under federal and certain state income tax laws at the corporate level on our taxable net income to the extent taxable net income is distributed to our stockholders. We expect to make sufficient distributions to avoid income tax at the corporate level. While we believe that we are organized and qualified as a REIT and we intend to operate in a manner that will allow us to continue to qualify as a REIT, there can be no assurance that we will be successful in this regard. Qualification as a REIT involves the application of highly technical and complex provisions of the Code for which there are limited judicial and administrative interpretations and involves the determination of a variety of factual matters and circumstances not entirely within our control.

Competition

We face competition from other real estate investors, including insurance companies, pension and investment funds, partnerships and investment companies and other REITs, to acquire and develop apartment communities and acquire land for future development. As an owner and operator of apartment communities, we also face competition for prospective residents from other operators whose communities may be perceived to offer a better location or better amenities or whose rent may be perceived as a better value given the quality, location and amenities that the resident seeks. We also compete against condominiums and single-family homes that are for sale or rent. Although we often compete against large, sophisticated developers and operators for development opportunities and for prospective residents, real estate developers and operators of any size can provide effective competition for both real estate assets and potential residents.

Table of Contents

Environmental and Related Matters

As a current or prior owner, operator and developer of real estate, we are subject to various federal, state and local environmental laws, regulations and ordinances and also could be liable to third parties resulting from environmental contamination or noncompliance at our communities. For some development communities we undertake extensive environmental remediation to prepare the site for construction, which could be a significant portion of our total construction cost. Environmental remediation efforts could expose us to possible liabilities for accidents or improper handling of contaminated materials during construction. These and other risks related to environmental matters are described in more detail in Item 1A. "Risk Factors."

We believe that more government regulation of energy use, along with a greater focus on environmental protection, may, over time, have a significant impact on urban growth patterns. If changes in zoning to encourage greater density and proximity to mass transit do occur, such changes could benefit multifamily housing and those companies with a competency in high-density development. However, there can be no assurance as to whether or when such changes in regulations or zoning will occur or, if they do occur, whether the multifamily industry or the Company will benefit from such changes.

Other Information

We file annual, quarterly and current reports, proxy statements and other information with the SEC. You may read and copy any document we file at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. You may call the SEC at 1-202-551-8090 for further information on the operation of the Public Reference Room. Our SEC filings are also available to the public from the SEC's website at www.sec.gov.

We maintain a website at www.avalonbay.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, filed or furnished pursuant to the Securities Exchange Act of 1934 are available free of charge in the "Investor Relations" section of our website as soon as reasonably practicable after the reports are filed with or furnished to the SEC. In addition, the charters of our Board's Nominating and Corporate Governance Committee, Audit Committee and Compensation Committee, as well as our Director Independence Standards, Corporate Governance Guidelines, Code of Conduct, Policy Regarding Shareholder Rights Agreements, Policy Regarding Shareholder Approval of Future Severance Agreements, Executive Stock Ownership Guidelines, Policy on Political Contributions and Government Relations, and Policy on Recoupment of Incentive Compensation, are available free of charge in that section of our website or by writing to AvalonBay Communities, Inc., Ballston Tower, Suite 800, 671 N. Glebe Rd., Arlington, Virginia 22203, Attention: Chief Financial Officer. To the extent required by the rules of the SEC and the NYSE, we will disclose amendments and waivers relating to these documents in the same place on our website.

We were incorporated under the laws of the State of California in 1978. In 1995, we reincorporated in the State of Maryland and have been focused on the ownership and operation of apartment communities since that time. As of January 31, 2016, we had 2,981 employees.

Table of Contents

ITEM 1A. RISK FACTORS

Our operations involve various risks that could have adverse consequences, including those described below. This Item 1A. includes forward-looking statements. You should refer to our discussion of the qualifications and limitations on forward-looking statements in this Form 10-K.

Development, redevelopment and construction risks could affect our profitability.

We intend to continue to develop and redevelop apartment home communities. These activities can include long planning and entitlement timelines and can involve complex and costly activities, including significant environmental remediation or construction work in high-density urban areas. These activities may be exposed to the following risks:

- we may abandon opportunities that we have already begun to explore for a number of reasons, including changes in local market conditions or increases in construction or financing costs, and, as a result, we may fail to recover expenses already incurred in exploring those opportunities;
- occupancy rates and rents at a community may fail to meet our original expectations for a number of reasons, including changes in market and economic conditions beyond our control and the development by competitors of competing communities;
- we may be unable to obtain, or experience delays in obtaining, necessary zoning, occupancy, or other required governmental or third party permits and authorizations, which could result in increased costs or the delay or abandonment of opportunities;
- we may incur costs that exceed our original estimates due to increased material, labor or other costs;
- we may be unable to complete construction and lease-up of a community on schedule, resulting in increased construction and financing costs and a decrease in expected rental revenues;
- we may be unable to obtain financing with favorable terms, or at all, for the proposed development of a community, which may cause us to delay or abandon an opportunity;
- we may incur liabilities to third parties during the development process, for example, in connection with managing existing improvements on the site prior to tenant terminations and demolition (such as commercial space) or in connection with providing services to third parties (such as the construction of shared infrastructure or other improvements); and
- we may incur liability if our communities are not constructed and operated in compliance with the accessibility provisions of the Americans with Disabilities Acts, the Fair Housing Act or other federal, state or local requirements. Noncompliance could result in imposition of fines, an award of damages to private litigants, and a requirement that we undertake structural modifications to remedy the noncompliance.

We estimate construction costs based on market conditions at the time we prepare our budgets, and our projections include changes that we anticipate but cannot predict with certainty. Construction costs may increase, particularly for labor and certain materials and, for some of our Development Communities and Development Rights (as defined below), the total construction costs may be higher than the original budget. Total capitalized cost includes all capitalized costs incurred and projected to be incurred to develop or redevelop a community, determined in accordance with GAAP, including:

- land and/or property acquisition costs;
- fees paid to secure air rights and/or tax abatements;
- construction or reconstruction costs;
- costs of environmental remediation;
- real estate taxes;
- capitalized interest and insurance;
- loan fees;
- permits;
- professional fees;

Table of Contents

- allocated development or redevelopment overhead; and
- other regulatory fees.

Costs to redevelop communities that have been acquired have, in some cases, exceeded our original estimates and similar increases in costs may be experienced in the future. We cannot assure you that market rents in effect at the time new development or redevelopment communities complete lease-up will be sufficient to fully offset the effects of any increased construction or reconstruction costs.

Unfavorable changes in market and economic conditions could adversely affect occupancy, rental rates, operating expenses, and the overall market value of our assets, including joint ventures and investments in the Funds.

Local conditions in our markets significantly affect occupancy, rental rates and the operating performance of our communities. The risks that may adversely affect conditions in those markets include the following:

- corporate restructurings and/or layoffs, industry slowdowns and other factors that adversely affect the local economy;
- an oversupply of, or a reduced demand for, apartment homes;
- a decline in household formation or employment or lack of employment growth;
- the inability or unwillingness of residents to pay rent increases;
- rent control or rent stabilization laws, or other laws regulating housing, that could prevent us from raising rents to offset increases in operating costs; and
- economic conditions that could cause an increase in our operating expenses, such as increases in property taxes, utilities, compensation of on-site associates and routine maintenance.

Changes in applicable laws, or noncompliance with applicable laws, could adversely affect our operations or expose us to liability.

We must develop, construct and operate our communities in compliance with numerous federal, state and local laws and regulations, some of which may conflict with one another or be subject to limited judicial or regulatory interpretations. These laws and regulations may include zoning laws, building codes, landlord tenant laws and other laws generally applicable to business operations. Noncompliance with laws could expose us to liability.

Lower revenue growth or significant unanticipated expenditures may result from our need to comply with changes in (i) laws imposing remediation requirements and the potential liability for environmental conditions existing on properties or the restrictions on discharges or other conditions, (ii) rent control or rent stabilization laws or other residential landlord/tenant laws, or (iii) other governmental rules and regulations or enforcement policies affecting the development, use and operation of our communities, including changes to building codes and fire and life-safety codes.

Short-term leases expose us to the effects of declining market rents.

Substantially all of our apartment leases are for a term of one year or less. Because these leases generally permit the residents to leave at the end of the lease term without penalty, our rental revenues are impacted by declines in market rents more quickly than if our leases were for longer terms.

Competition could limit our ability to lease apartment homes or increase or maintain rents.

Our apartment communities compete with other housing alternatives to attract residents, including other rental apartments, condominiums and single-family homes that are available for rent, as well as new and existing condominiums and single-family homes for sale. Competitive residential housing in a particular area could adversely affect our ability to lease apartment homes and to increase or maintain rental rates.

Attractive investment opportunities may not be available, which could adversely affect our profitability.

We expect that other real estate investors, including insurance companies, pension funds, other REITs and other well-capitalized investors, will compete with us to acquire existing properties and to develop new properties. This competition could increase prices for properties of the type we would likely pursue and adversely affect our profitability.

Table of Contents

Capital and credit market conditions may adversely affect our access to various sources of capital and/or the cost of capital, which could impact our business activities, dividends, earnings, and common stock price, among other things.
In periods when the capital and credit markets experience significant volatility, the amounts, sources and cost of capital available to us may be adversely affected. We primarily use external financing to fund construction and to refinance indebtedness as it matures. If sufficient sources of external financing are not available to us on cost effective terms, we could be forced to limit our development and redevelopment activity and/or take other actions to fund our business activities and repayment of debt, such as selling assets, reducing our cash dividend or paying out less than 100% of our taxable income. To the extent that we are able and/or choose to access capital at a higher cost than we have experienced in recent years (reflected in higher interest rates for debt financing or a lower stock price for equity financing) our earnings per share and cash flows could be adversely affected. In addition, the price of our common stock may fluctuate significantly and/or decline in a high interest rate or volatile economic environment. We believe that the lenders under our Credit Facility will fulfill their lending obligations thereunder, but if economic conditions deteriorate, there can be no assurance that the ability of those lenders to fulfill their obligations would not be adversely impacted.

Insufficient cash flow could affect our debt financing and create refinancing risk.

We are subject to the risks associated with debt financing, including the risk that our cash flow will be insufficient to meet required payments of principal and interest. In this regard, we note that in order for us to continue to qualify as a REIT, we are required to annually distribute dividends generally equal to at least 90% of our REIT taxable income, computed without regard to the dividends paid deduction and excluding any net capital gain. This requirement limits the amount of our cash flow available to meet required principal and interest payments. The principal outstanding balance on a portion of our debt will not be fully amortized prior to its maturity. Although we may be able to repay our debt by using our cash flows, we cannot assure you that we will have sufficient cash flows available to make all required principal payments. Therefore, we may need to refinance at least a portion of our outstanding debt as it matures. There is a risk that we may not be able to refinance existing debt or that a refinancing will not be done on as favorable terms; either of these outcomes could have a material adverse effect on our financial condition and results of operations.

Rising interest rates could increase interest costs and could affect the market price of our common stock.

We currently have, and may in the future incur, contractual variable interest rate debt. In addition, we regularly seek access to both fixed and variable rate debt financing to repay maturing debt and to finance our development and redevelopment activity. Accordingly, if interest rates increase, our interest costs will also rise, unless we have made arrangements that hedge the risk of rising interest rates. In addition, an increase in market interest rates may lead purchasers of our common stock to demand a greater annual dividend yield, which could adversely affect the market price of our common stock.

Bond financing and zoning compliance requirements could limit our income, restrict the use of communities and cause favorable financing to become unavailable.

We have financed some of our apartment communities with obligations issued by local government agencies because the interest paid to the holders of this debt is generally exempt from federal income taxes and, therefore, the interest rate is generally more favorable to us. These obligations are commonly referred to as "tax-exempt bonds" and generally must be secured by mortgages on our communities. As a condition to obtaining tax-exempt financing, or on occasion as a condition to obtaining favorable zoning in some jurisdictions, we will commit to make some of the apartments in a community available to households whose income does not exceed certain thresholds (e.g., 50% or 80% of area median income), or who meet other qualifying tests. As of December 31, 2015, approximately 6.0% of our apartment homes at current operating communities were under income limitations such as these. These commitments, which may run without expiration or may expire after a period of time (such as 15 or 20 years) may limit our ability to raise rents and, in consequence, can also adversely affect the value of the communities subject to these restrictions.

In addition, some of our tax-exempt bond financing documents require us to obtain a guarantee from a financial institution of payment of the principal of, and interest on, the bonds. The guarantee may take the form of a letter of credit, surety bond, guarantee agreement or other additional collateral. If the financial institution defaults in its guarantee obligations, or if we are unable to renew the applicable guarantee or otherwise post satisfactory collateral, a default will occur under the applicable tax-exempt bonds and the community could be foreclosed upon if we do not redeem the bonds.

Risks related to indebtedness.

We have a Credit Facility with a syndicate of commercial banks. Our organizational documents do not limit the amount or percentage of indebtedness that may be incurred. Accordingly, subject to compliance with outstanding debt covenants, we could incur more debt, resulting in an increased risk of default on our obligations and an increase in debt service requirements that could adversely affect our financial condition and results of operations.

Table of Contents

The mortgages on those of our properties that are subject to secured debt, our Credit Facility and the indenture under which a substantial portion of our debt was issued contain customary restrictions, requirements and other limitations, as well as certain financial and operating covenants including maintenance of certain financial ratios. Maintaining compliance with these restrictions could limit our flexibility. A default in these requirements, if uncured, could result in a requirement that we repay indebtedness, which could severely affect our liquidity and increase our financing costs. Refer to Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" for further discussion.

The mortgages on those of our properties subject to secured debt generally include provisions which stipulate a prepayment penalty or payment that we will be obligated to pay in the event that we elect to repay the mortgage note prior to the earlier of (i) the stated maturity of the note, or (ii) the date at which the mortgage note is prepayable without such penalty or payment. If we elect to repay some or all of the outstanding principal balance for our mortgage notes, we may incur prepayment penalties or payments under these provisions which could adversely affect our results of operations.

Failure to maintain our current credit ratings could adversely affect our cost of funds, related margins, liquidity and access to capital markets.

There are two major debt rating agencies that routinely evaluate and rate our debt. Their ratings are based on a number of factors, which include their assessment of our financial strength, liquidity, capital structure, asset quality, amount of real estate under development, and sustainability of cash flow and earnings, among other factors. If market conditions change, we may not be able to maintain our current credit ratings, which could adversely affect our cost of funds and related margins, liquidity and access to capital markets.

Debt financing may not be available and equity issuances could be dilutive to our stockholders.

Our ability to execute our business strategy depends on our access to an appropriate blend of debt and equity financing. Debt financing may not be available in sufficient amounts or on favorable terms. If we issue additional equity securities, the interests of existing stockholders could be diluted.

Failure to generate sufficient revenue or other liquidity needs could limit cash flow available for distributions to stockholders.

A decrease in rental revenue, or liquidity needs such as the repayment of indebtedness or funding of our development activities, could have an adverse effect on our ability to pay distributions to our stockholders. Significant expenditures associated with each community such as debt service payments, if any, real estate taxes, insurance and maintenance costs are generally not reduced when circumstances cause a reduction in income from a community.

The form, timing and/or amount of dividend distributions in future periods may vary and be impacted by economic and other considerations.

The form, timing and/or amount of dividend distributions will be declared at the discretion of the Board of Directors and will depend on actual cash from operations, our financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Code and other factors as the Board of Directors may consider relevant. The Board of Directors may modify our dividend policy from time to time.

We may choose to pay dividends in our own stock, in which case stockholders may be required to pay tax in excess of the cash they receive.

We may distribute taxable dividends that are payable in part in our stock, as we did in the fourth quarter of 2008. Taxable stockholders receiving such dividends will be required to include the full amount of the dividend as income to the extent of our current and accumulated earnings and profits for federal income tax purposes. As a result, a U.S. stockholder may be required to pay tax with respect to such dividends in excess of the cash received. If a U.S. stockholder sells the stock it receives as a dividend in order to pay this tax, the sales proceeds may be less than the amount included in income with respect to the dividend, depending on the market price of our stock at the time of the sale. Furthermore, with respect to non-U.S. stockholders, we may be required to withhold U.S. tax with respect to such dividends, including in respect of all or a portion of such dividend that is payable in stock. In addition, the trading price of our stock would experience downward pressure if a significant number of our stockholders sell shares of our stock in order to pay taxes owed on dividends.

11

Table of Contents

Difficulty of selling apartment communities could limit liquidity and financial flexibility.

Federal tax laws may limit our ability to earn a gain on the sale of a community (unless we own it through a subsidiary which will incur a taxable gain upon sale) if we are found to have held, acquired or developed the community primarily with the intent to resell the community, and this limitation may affect our ability to sell communities without adversely affecting returns to our stockholders. In addition, real estate in our markets can at times be difficult to sell quickly at prices we find acceptable. These potential difficulties in selling real estate in our markets may limit our ability to change or reduce the apartment communities in our portfolio promptly in response to changes in economic or other conditions.

Acquisitions may not yield anticipated results.

Our business strategy includes acquiring as well as developing communities. Our acquisition activities and their success may be exposed to the following risks:

- an acquired property may fail to perform as we expected in analyzing our investment; and
- our estimate of the costs of repositioning or redeveloping an acquired property may prove inaccurate.

Failure to succeed in new markets, or with new brands and community formats, or in activities other than the development, ownership and operation of residential rental communities may have adverse consequences.

We may from time to time commence development activity or make acquisitions outside of our existing market areas if appropriate opportunities arise. Our historical experience in our existing markets in developing, owning and operating rental communities does not ensure that we will be able to operate successfully in new markets, should we choose to enter them. We may be exposed to a variety of risks if we choose to enter new markets, including an inability to accurately evaluate local apartment market conditions; an inability to obtain land for development or to identify appropriate acquisition opportunities; an inability to hire and retain key personnel; and lack of familiarity with local governmental and permitting procedures.

Although we are primarily in the multifamily business, we also own and lease ancillary retail space when a retail component represents the best use of the space, as is often the case with large urban in-fill developments. We also may engage or have an interest in for-sale activity. We may be unsuccessful in owning and leasing retail space at our communities or in developing real estate with the intent to sell, which could have an adverse effect on our results of operations.

Land we hold with no current intent to develop may be subject to future impairment charges.

We own parcels of land that we do not currently intend to develop. As discussed in Item 2. "Communities—Other Land and Real Estate Assets," in the event that the fair market value of a parcel changes such that we determine that the carrying basis of the parcel reflected in our financial statements is greater than the parcel's then current fair value, less costs to dispose, we would be subject to an impairment charge, which would reduce our net income.

We are exposed to various risks from our real estate activity through joint ventures.

Instead of acquiring or developing apartment communities directly, at times we invest as a partner or a co-venturer. Joint venture investments (including investments through partnerships or limited liability companies) involve risks, including the possibility that our partner might become insolvent or otherwise refuse to make capital contributions when due; that we may be responsible to our partner for indemnifiable losses; that our partner might at any time have business goals that are inconsistent with ours; and that our partner may be in a position to take action or withhold consent contrary to our instructions or requests. Frequently, we and our partner may each have the right to trigger a buy-sell arrangement that could cause us to sell our interest, or acquire our partner's interest, at a time when we otherwise would not have initiated such a transaction.

We are exposed to risks associated with investment in and management of discretionary real estate investment funds.

We formed Fund II, in which we have an equity interest of 31.3%, and as part of the Archstone Acquisition we acquired equity interests in the U.S. Fund and the AC JV of 28.6% and 20.0%, respectively, which, through wholly-owned subsidiaries, we manage as the general partner and managing member. The investment periods for Fund II and the U.S. Fund are over. The Funds present risks, including the following:

- our subsidiaries that are the general partners of the Funds are generally liable, under partnership law, for the debts and obligations of the respective Funds, subject to certain exculpation and indemnification rights pursuant to the terms of the partnership agreement of the Funds;

- investors in the Funds holding a majority of the partnership interests may remove us as the general partner without cause, in the case of Fund II, subject to our right to receive compensation for an additional period of management fees after such removal and our right to acquire one of the properties then held by such Funds;

Table of Contents

- while we have broad discretion to manage the Funds, the investors or an advisory committee comprised of representatives of the investors must approve certain matters, and as a result we may be unable to cause the Funds to implement certain decisions that we consider beneficial; and
- we may be liable and/or our status as a REIT may be jeopardized if either the Funds, or the REIT entities associated with the Funds and/or the U.S. Fund and/or AC JV, fail to comply with various tax or other regulatory matters.

The governance provisions of our joint ventures with Equity Residential could adversely affect our flexibility in dealing with such joint venture assets and liabilities.

In connection with the Archstone Acquisition, we created joint ventures with Equity Residential that manage certain of the acquired assets and liabilities. These structures involve participation in the ventures by Equity Residential whose interests and rights may not be the same as ours. Joint ownership of an investment in real estate involves risks not associated with direct ownership of real estate, including the risk that Equity Residential may at any time have economic or other business interests or goals which become inconsistent with our business interests or goals, including inconsistent goals relating to the sale of properties held in the joint ventures or the timing of the termination and liquidation of the joint ventures. Under the form for the joint venture arrangements, neither we nor Equity Residential expect to individually have the sole power to control the ventures, and an impasse could occur, which could adversely affect the applicable joint venture and decrease potential returns to us and our investors.

We rely on information technology in our operations, and any breach, interruption or security failure of that technology could have a negative impact on our business, results of operations, financial condition and/or reputation.

Information security risks have generally increased in recent years due to the rise in new technologies and the increased sophistication and activities of perpetrators of cyber attacks.

We collect and hold personally identifiable information of our residents and prospective residents in connection with our leasing and property management activities, and we collect and hold personally identifiable information of our associates in connection with their employment. In addition, we engage third party service providers that may have access to such personally identifiable information in connection with providing necessary information technology and security and other business services to us.

We address potential breaches or disclosure of this confidential personally identifiable information by implementing a variety of security measures intended to protect the confidentiality and security of this information including (among others) engaging reputable, recognized firms to help us design and maintain our information technology and data security systems, including testing and verification of their proper and secure operations on a periodic basis. We also maintain cyber risk insurance to cover certain risks arising out of data and network breaches.

However, there can be no assurance that we will be able to prevent unauthorized access to this information. Any failure in or breach of our operational or information security systems, or those of our third party service providers, as a result of cyber attacks or information security breaches could result in a wide range of potentially serious harm to our business operations and financial prospects, including (among others) disruption of our business and operations, disclosure or misuse of confidential or proprietary information (including personal information of our residents and/or associates), damage to our reputation, and/or potentially significant legal and/or financial liabilities and penalties.

We are exposed to risks that are either uninsurable, not economically insurable or in excess of our insurance coverage, including risks from natural disasters such as earthquakes and severe weather.

Earthquake risk. As further described in Item 2. "Communities—Insurance and Risk of Uninsured Losses," many of our West Coast communities are located in the general vicinity of active earthquake faults. We cannot assure you that an earthquake would not cause damage or losses greater than insured levels. In the event of a loss in excess of insured limits, we could lose our capital invested in the affected community, as well as anticipated future revenue from that community. We would also continue to be obligated to repay any mortgage indebtedness or other obligations related to the community. Any such loss could materially and adversely affect our business and our financial condition and results of operations.

Insurance coverage for earthquakes can be costly and in limited supply. As a result, we may experience shortages in desired coverage levels if market conditions are such that insurance is not available or the cost of insurance makes it, in management's view, economically impractical.

Severe or inclement weather risk. Particularly in New England and the Metro New York/New Jersey area, we are exposed to risks associated with inclement or severe weather, including hurricanes, severe winter storms and coastal flooding. Severe or inclement weather may result in increased costs, such as losses and costs resulting from repair of water and wind damage, removal of snow and ice, and, in the case of our development communities, delays in construction that result in increased construction costs and delays in realizing rental revenues from a community. In addition, severe or inclement weather could increase the need for maintenance of our communities.

Table of Contents

Where we have a geographic concentration of exposures, a single catastrophe that affects a region, such as an earthquake that affects the West Coast or a hurricane or severe winter storm that affects the Mid-Atlantic, Metro New York/New Jersey or New England regions, may have a significant negative effect on our financial condition and results of operations.

Terrorism risk. We have significant investments in large metropolitan markets, such as the Metro New York/New Jersey and Washington, D.C. markets, that have in the past been or may in the future be the target of actual or threatened terrorist attacks. Future terrorist attacks in these markets could directly or indirectly damage our communities, both physically and financially, or cause losses that exceed our insurance coverage that could have a material adverse effect on our business, financial condition and results of operations.

A significant uninsured property or liability loss could have a material adverse effect on our financial condition and results of operations.

In addition to the earthquake insurance discussed above, we carry commercial general liability insurance, property insurance and terrorism insurance with respect to our communities on terms we consider commercially reasonable. There are, however, certain types of losses (such as losses arising from acts of war) that are not insured, in full or in part, because they are either uninsurable or the cost of insurance makes it, in management's view, economically impractical. If an uninsured property loss or a property loss in excess of insured limits were to occur, we could lose our capital invested in a community, as well as the anticipated future revenues from such community. We would also continue to be obligated to repay any mortgage indebtedness or other obligations related to the community. If an uninsured liability to a third party were to occur, we would incur the cost of defense and settlement with, or court ordered damages to, that third party. A significant uninsured property or liability loss could materially and adversely affect our business and our financial condition and results of operations.

We may incur costs due to environmental contamination or non-compliance.

Under various federal, state and local environmental and public health laws, regulations and ordinances, we may be required, regardless of knowledge or responsibility, to investigate and remediate the effects of hazardous or toxic substances or petroleum product releases at our properties (including in some cases natural substances such as methane and radon gas) and may be held liable under these laws or common law to a governmental entity or to third parties for property, personal injury or natural resources damages and for investigation and remediation costs incurred as a result of the contamination. These damages and costs may be substantial and may exceed any insurance coverage we have for such events. The presence of these substances, or the failure to properly remediate the contamination, may adversely affect our ability to borrow against, develop, sell or rent the affected property. In addition, some environmental laws create or allow a government agency to impose a lien on the contaminated site in favor of the government for damages and costs it incurs as a result of the contamination.

The development, construction and operation of our communities are subject to regulations and permitting under various federal, state and local laws, regulations and ordinances, which regulate matters including wetlands protection, storm water runoff and wastewater discharge. These laws and regulations may impose restrictions on the manner in which our communities may be developed, and noncompliance with these laws and regulations may subject us to fines and penalties.

Certain federal, state and local laws, regulations and ordinances govern the removal, encapsulation or disturbance of asbestos containing materials ("ACMs") when such materials are in poor condition or in the event of renovation or demolition of a building. These laws and the common law may impose liability for release of ACMs and may allow third parties to seek recovery from owners or operators of real properties for personal injury associated with exposure to ACMs. We are not aware that any ACMs were used in the construction of the communities we developed. ACMs were, however, used in the construction of a number of the communities that we acquired. We implement an operations and maintenance program at each of the communities at which ACMs are detected.

We are aware that some of our communities have lead paint and have implemented an operations and maintenance program at each of those communities.

Environmental agencies and third parties may assert claims for remediation or personal injury based on the alleged actual or potential intrusion into buildings of chemical vapors from soils or groundwater underlying or in the vicinity of those buildings or on nearby properties.

All of our stabilized operating communities, and all of the communities that we are currently developing, have been subjected to at least a Phase I or similar environmental assessment, which generally does not involve invasive techniques such as soil or groundwater sampling. These assessments, together with subsurface assessments conducted on some properties, have not revealed, and we are not otherwise aware of, any environmental conditions that we believe would have a material adverse effect on our business, assets, financial condition or results of operations. In connection with our ownership, operation and development of communities, from time to time we undertake substantial remedial action in response to the presence of subsurface or other

Table of Contents

contaminants, including contaminants in soil, groundwater and soil vapor beneath or affecting our buildings. In some cases, an indemnity exists upon which we may be able to rely if environmental liability arises from the contamination or remediation costs exceed estimates. There can be no assurance, however, that all necessary remediation actions have been or will be undertaken at our properties or that we will be indemnified, in full or at all, in the event that environmental liability arises.

Mold growth may occur when excessive moisture accumulates in buildings or on building materials, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. Although the occurrence of mold at multifamily and other structures, and the need to remediate such mold, is not a new phenomenon, there has been increased awareness in recent years that certain molds may in some instances lead to adverse health effects, including allergic or other reactions. To help limit mold growth, we educate residents about the importance of adequate ventilation and request or require that they notify us when they see mold or excessive moisture. We have established procedures for promptly addressing and remediating mold or excessive moisture from apartment homes when we become aware of its presence regardless of whether we or the resident believe a health risk is presented. However, we cannot provide assurance that mold or excessive moisture will be detected and remediated in a timely manner. If a significant mold problem arises at one of our communities, we could be required to undertake a costly remediation program to contain or remove the mold from the affected community and could be exposed to other liabilities that may exceed any applicable insurance coverage.

Additionally, we have occasionally been involved in developing, managing, leasing and operating various properties for third parties. Consequently, we may be considered to have been an operator of such properties and, therefore, potentially liable for removal or remediation costs or other potential costs which relate to the release or presence of hazardous or toxic substances or petroleum products at such properties.

We cannot assure you that:

- the environmental assessments described above have identified all potential environmental liabilities;
- no prior owner created any material environmental condition not known to us or the consultants who prepared the assessments;
- no environmental liabilities have developed since the environmental assessments were prepared;
- the condition of land or operations in the vicinity of our communities, such as the presence of underground storage tanks, will not affect the environmental condition of our communities;
- future uses or conditions, including, without limitation, changes in applicable environmental laws and regulations, will not result in the imposition of environmental liability; and
- no environmental liabilities will arise at communities that we have sold for which we may have liability.

Our success depends on key personnel whose continued service is not guaranteed.

Our success depends in part on our ability to attract and retain the services of executive officers and other personnel. Our executive officers make important capital allocation decisions or recommendations to our Board of Directors from among the opportunities identified by our regional offices. There is substantial competition for qualified personnel in the real estate industry, and the loss of several of our key personnel could adversely affect the Company.

Failure to qualify as a REIT would cause us to be taxed as a corporation, which would significantly reduce funds available for distribution to stockholders.

If we fail to qualify as a REIT for federal income tax purposes, we will be subject to federal income tax on our taxable income at regular corporate rates (subject to any applicable alternative minimum tax). In addition, unless we are entitled to relief under applicable statutory provisions, we would be ineligible to make an election for treatment as a REIT for the four taxable years following the year in which we lose our qualification. The additional tax liability resulting from the failure to qualify as a REIT would significantly reduce or eliminate the amount of funds available for distribution to our stockholders. Furthermore, we would no longer be required to make distributions to our stockholders. Thus, our failure to qualify as a REIT could also impair our ability to expand our business and raise capital, and would adversely affect the value of our common stock.

We believe that we are organized and qualified as a REIT, and we intend to operate in a manner that will allow us to continue to qualify as a REIT. However, we cannot assure you that we are qualified as a REIT, or that we will remain qualified in the future. This is because qualification as a REIT involves the application of highly technical and complex provisions of the Internal Revenue Code for which there are only limited judicial and administrative interpretations and involves the determination of a variety of factual matters and circumstances not entirely within our control. Our qualification as a REIT will depend on our satisfaction of certain asset, income, organizational, distribution, shareholder ownership and other requirements on a continuing basis. In addition,

Table of Contents

future legislation, new regulations, administrative interpretations or court decisions may significantly change the tax laws or the application of the tax laws with respect to qualification as a REIT for federal income tax purposes or the federal income tax consequences of this qualification.

Even if we qualify as a REIT, we will be subject to certain federal, state and local taxes on our income and property and on taxable income that we do not distribute to our shareholders. In addition, we may through our taxable REIT subsidiaries hold certain assets and engage in certain activities that a REIT could not engage in directly. We also use taxable REIT subsidiaries to hold certain assets that we believe would be subject to the 100% prohibited transaction tax if sold at a gain outside of a taxable REIT subsidiary. Our taxable REIT subsidiaries are subject to U.S. tax as regular corporations. The Archstone Acquisition increased the amount of assets held through our taxable REIT subsidiaries.

The ability of our stockholders to control our policies and effect a change of control of our company is limited by certain provisions of our charter and bylaws and by Maryland law.

There are provisions in our charter and bylaws that may discourage a third party from making a proposal to acquire us, even if some of our stockholders might consider the proposal to be in their best interests. These provisions include the following:

Our charter authorizes our Board of Directors to issue up to 50,000,000 shares of preferred stock without stockholder approval and to establish the preferences and rights, including voting rights, of any series of preferred stock issued. The Board of Directors may issue preferred stock without stockholder approval, which could allow the Board to issue one or more classes or series of preferred stock that could discourage or delay a tender offer or a change in control.

To maintain our qualification as a REIT for federal income tax purposes, not more than 50% in value of our outstanding stock may be owned, directly or indirectly, by or for five or fewer individuals at any time during the last half of any taxable year. To maintain this qualification, and/or to address other concerns about concentrations of ownership of our stock, our charter generally prohibits ownership (directly, indirectly by virtue of the attribution provisions of the Code, or beneficially as defined in Section 13 of the Securities Exchange Act) by any single stockholder of more than 9.8% of the issued and outstanding shares of any class or series of our stock. In general, under our charter, pension plans and mutual funds may directly and beneficially own up to 15% of the outstanding shares of any class or series of stock. Under our charter, our Board of Directors may in its sole discretion waive or modify the ownership limit for one or more persons, but is not required to do so even if such waiver would not affect our qualification as a REIT. These ownership limits may prevent or delay a change in control and, as a result, could adversely affect our stockholders' ability to realize a premium for their shares of common stock.

As a Maryland corporation, we are subject to the provisions of the Maryland General Corporation Law. Maryland law imposes restrictions on some business combinations and requires compliance with statutory procedures before some mergers and acquisitions may occur, which may delay or prevent offers to acquire us or increase the difficulty of completing any offers, even if they are in our stockholders' best interests. In addition, other provisions of the Maryland General Corporation Law permit the Board of Directors to make elections and to take actions without stockholder approval (such as classifying our Board such that the entire Board is not up for re-election annually) that, if made or taken, could have the effect of discouraging or delaying a change in control.

Table of Contents

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. COMMUNITIES

Our real estate investments consist primarily of current operating apartment communities, communities in various stages of development ("Development Communities") and Development Rights (as defined below). Our current operating communities are further distinguished as Established Communities, Other Stabilized Communities, Lease-Up Communities, Redevelopment Communities and Unconsolidated Communities. While we generally establish the classification of communities on an annual basis, we intend to update the classification of communities during the calendar year to the extent that our plans with regard to the disposition or redevelopment of a community change during the year.

The following is a description of each category:

Current Communities are categorized as Established, Other Stabilized, Lease-Up, Redevelopment, or Unconsolidated according to the following attributes:

- Established Communities (also known as Same Store Communities) are consolidated communities where a comparison of operating results from the prior year to the current year is meaningful, as these communities were owned and had stabilized occupancy as of the beginning of the prior year. The Established Communities for the year ended December 31, 2015 are communities that are consolidated for financial reporting purposes, had stabilized occupancy as of January 1, 2014, are not conducting or planning to conduct substantial redevelopment activities, and are not held for sale or planned for disposition within the current year period. A community is considered to have stabilized occupancy at the earlier of (i) attainment of 95% physical occupancy or (ii) the one-year anniversary of completion of development or redevelopment.
- Other Stabilized Communities includes all other completed communities that we own and that are consolidated for financial reporting purposes, and that have stabilized occupancy, as defined above. Other Stabilized Communities do not include communities that are conducting or planning to conduct substantial redevelopment activities within the current year.
- Lease-Up Communities are communities where construction has been complete for less than one year and where physical occupancy has not reached 95%.
- Redevelopment Communities are communities where substantial redevelopment is in progress or is planned to begin during the current year. Redevelopment is considered substantial when capital invested during the reconstruction effort is expected to exceed the lesser of $5,000,000 or 10% of the community's pre-redevelopment basis and is expected to have a material impact on the operations of the community, including occupancy levels and future rental rates.
- Unconsolidated Communities are communities that we have an indirect ownership interest in through our investment interest in an unconsolidated joint venture, and that have stabilized occupancy, as defined above.

Development Communities are communities that are under construction and for which a certificate or certificates of occupancy for the entire community have not been received. These communities may be partially complete and operating.

Development Rights are development opportunities in the early phase of the development process where we either have an option to acquire land or enter into a leasehold interest, where we are the buyer under a long-term conditional contract to purchase land, where we control the land through a ground lease or own land to develop a new community, or where we are the designated developer in a public-private partnership. We capitalize related pre-development costs incurred in pursuit of new developments for which we currently believe future development is probable.

We currently lease our corporate headquarters located in Arlington, Virginia, as well as our other regional and administrative offices under operating leases.

As of December 31, 2015, communities that we owned or held a direct or indirect interest in were classified as follows:

Table of Contents

	Number of communities	Number of apartment homes
Current Communities		
Established Communities:		
New England	33	7,277
Metro NY/NJ	34	11,355
Mid-Atlantic	26	8,789
Pacific Northwest	14	3,444
Northern California	30	9,201
Southern California	40	11,068
Total Established	177	51,134
Other Stabilized Communities:		
New England	10	2,477
Metro NY/NJ	6	1,404
Mid-Atlantic	3	970
Pacific Northwest	1	283
Northern California	6	1,201
Southern California	7	3,313
Non-Core	3	1,014
Total Other Stabilized	36	10,662
Lease-Up Communities	17	4,844
Redevelopment Communities	9	2,795
Unconsolidated Communities	20	6,149
Total Current Communities	259	75,584
Development Communities	26	8,112
Total Communities	285	83,696
Development Rights	32	9,634

Our holdings under each of the above categories are discussed on the following pages.

We generally establish the composition of our Established Communities portfolio annually. Determined as of January 1 of each of the respective years, the Established Communities portfolios for the years ended December 31, 2015, 2014 and 2013 were as follows:

	Number of communities
Established Communities as of December 31, 2012	103
Communities added	19
Communities removed (1):	—
Redevelopment Communities	(5)
Disposed Communities	(2)
Established Communities as of December 31, 2013	115
Communities added	67
Communities removed (1):	—
Redevelopment Communities	(8)
Disposed Communities	(2)
Established Communities as of December 31, 2014	172
Communities added	13
Communities removed (1):	—
Redevelopment Communities	(4)
Disposed Communities	(3)
Other Stabilized (2)	(1)
Established Communities as of December 31, 2015	177

(1) The Company removes a community from its Established Communities portfolio for the upcoming year (and then generally maintains that designation) if the Company believes that planned activity for a community for the upcoming year will result in that community's expected operations not being comparable to the prior year period. The Company believes that a community's expected operations will not be comparable to the prior year period when it intends either (i) to undertake a significant capital renovation of the community, such that the Company would consider the community to be classified as a Redevelopment Community; or (ii) to dispose of a community through a sale or other disposition transaction.

(2) Avalon at Edgewater was moved from the Established Communities portfolio to the Other Stabilized portfolio as a result of the fire that occurred in January 2015.

Current Communities

Our Current Communities include garden-style apartment communities consisting of multi-story buildings in landscaped settings, as well as mid and high rise apartment communities in urban settings. As of January 31, 2016, our Current Communities consisted of 140 garden-style (of which 18 are mixed communities and include town homes), 23 high-rise and 94 mid-rise apartment communities.

Our communities generally offer a variety of quality amenities and features, which may include:

- fully-equipped kitchens;
- lofts and vaulted ceilings;
- walk-in closets;
- patios/decks; and
- modern appliances.

Other features at various communities may include:

- swimming pools;
- fitness centers;
- tennis courts; and
- wi-fi lounges.

As described in Item 1. "Business," we operate under three core brands Avalon, AVA and Eaves by Avalon. Our core "Avalon" brand focuses on upscale apartment living and high end amenities and services. "AVA" targets customers in high energy, transit-served urban neighborhoods and generally feature smaller apartments, many of which are designed for roommate living with an

19

Table of Contents

emphasis on modern design and a technology focus. "Eaves by Avalon" is targeted to the cost conscious, "value" segment in suburban areas. We believe that these brands allow us to further penetrate our existing markets by targeting our market by consumer preference and attitude as well as by location and price.

We also have an extensive and ongoing maintenance program to continually maintain and enhance our communities and apartment homes. The aesthetic appeal of our communities and a service-oriented property management team, focused on the specific needs of residents, enhances market appeal to discriminating residents. We believe our mission of Creating a Better Way To Live helps us achieve higher rental rates and occupancy levels while minimizing resident turnover and operating expenses.

Our Current Communities, excluding indirect interests associated with the Residual JV, are located in the following geographic markets:

	Number of communities at		Number of apartment homes at		Percentage of total apartment homes at	
	1/31/2015	1/31/2016	1/31/2015	1/31/2016	1/31/2015	1/31/2016
New England	50	53	11,444	12,528	15.5 %	16.6 %
Boston, MA	36	39	8,555	9,639	11.6 %	12.8 %
Fairfield-New Haven, CT	14	14	2,889	2,889	3.9 %	3.8 %
Metro NY/NJ	47	49	15,018	14,843	20.2 %	19.7 %
New York City, NY	10	12	3,582	4,292	4.8 %	5.7 %
New York Suburban	19	17	5,554	4,949	7.5 %	6.6 %
New Jersey	18	20	5,882	5,602	7.9 %	7.4 %
Mid-Atlantic	37	36	13,308	13,308	18.0 %	17.6 %
Washington Metro/Baltimore, MD	37	36	13,308	13,308	18.0 %	17.6 %
Pacific Northwest	16	17	3,858	4,225	5.2 %	5.6 %
Seattle, WA	16	17	3,858	4,225	5.2 %	5.6 %
Northern California	41	41	11,974	12,158	16.2 %	16.0 %
San Jose, CA	14	14	4,903	5,158	6.6 %	6.8 %
Oakland-East Bay, CA	12	11	3,591	3,338	4.9 %	4.4 %
San Francisco, CA	15	16	3,480	3,662	4.7 %	4.8 %
Southern California	57	58	17,132	17,473	23.2 %	23.2 %
Los Angeles, CA	35	36	10,575	10,855	14.4 %	14.5 %
Orange County, CA	12	12	3,425	3,715	4.6 %	4.9 %
San Diego, CA	10	10	3,132	2,903	4.2 %	3.8 %
Non-Core	4	3	1,266	1,014	1.7 %	1.3 %
	252	257	74,000	75,549	100.0 %	100.0 %

We manage and operate substantially all of our Current Communities. During the year ended December 31, 2015, we completed construction of 4,170 apartment homes in 13 communities and sold seven communities containing an aggregate of 2,311 apartment homes. The average age of our Current Communities, on a weighted average basis according to number of apartment homes, is 19.1 years. When adjusted to reflect redevelopment activity, as if redevelopment were a new construction completion date, the weighted average age of our Current Communities is 13.2 years.

Of the Current Communities, as of January 31, 2016, we owned (directly or through wholly-owned subsidiaries):

•

a full fee simple, or absolute, ownership interest in 236 operating communities, 16 of which are on land subject to land leases, four of which are dual-branded communities with each pair of dual-branded communities being governed by a single land lease. The leases expire in October 2026, November 2028, May 2041, July 2046, December 2061, September 2065, November 2067, December 2086, April 2095, May 2105, September 2105, April 2106, November 2106 and March 2142;

Table of Contents

- a general partnership interest and an indirect limited partnership interest in Fund II, the U.S. Fund and the AC JV. Subsidiaries of Fund II own a fee simple interest in six operating communities, subsidiaries of the U.S. Fund own a fee simple interest in eight operating communities, of which one is subject to a land lease, and subsidiaries of the AC JV own a fee simple interest in three operating communities;
- a general partnership interest in one partnership structured as a "DownREIT," as described more fully below, that owns one community; and
- a membership interest in three limited liability companies, that each hold a fee simple interest in an operating community.

For some communities, a land lease is used to support tax advantaged structures that ultimately allow us to purchase the land upon lease expiration. We have options to purchase the underlying land for certain of the land leases for which we have an absolute ownership interest that expire in October 2026, November 2028, May 2041, July 2046, December 2086 and April 2095.

We also hold, directly or through wholly-owned subsidiaries, the full fee simple ownership interest in 25 of the 26 Development Communities. We are developing one Development Community with a private development partner and we will own the multifamily rental portion of the development.

In our partnership structured as a DownREIT, one of our wholly-owned subsidiaries is the general partner, and there are limited partners whose interest in the partnership is represented by units of limited partnership interest. Limited partners are entitled to receive an initial distribution before any distribution is made to the general partner. Under the partnership agreement for the DownREIT, the distributions per unit paid to the holders of units of limited partnership interests are equal to our current common stock dividend amount. The holders of units of limited partnership interest have the right to present all or some of their units for redemption for a cash amount as determined by the partnership agreement and based on the fair value of our common stock. In lieu of a cash redemption by the partnership, we may elect to acquire any unit presented for redemption for one share of our common stock or for such cash amount. As of January 31, 2016, there were 7,500 DownREIT partnership units outstanding. The DownREIT partnership is consolidated for financial reporting purposes.

Table of Contents

Profile of Current, Development and Unconsolidated Communities (1)

	City and state	Number of homes	Approx. rentable area (Sq. Ft.)	Year of completion/ acquisition	Average size (Sq. Ft.)	Physical occupancy at 12/31/15	Average economic occupancy 2015	Average economic occupancy 2014	Average rental rate $ per Apt (2)	Average rental rate $ per Sq. Ft.	Financial reporting cost (3)
ESTABLISHED COMMUNITIES											
NEW ENGLAND											
Boston, MA											
Avalon at Lexington	Lexington, MA	198	230,956	1994	1,166	94.9 %	94.7 %	93.8 %	$2,304	$1.98	$24,038
Eaves Quincy	Quincy, MA	245	224,538	1986/1995	916	94.7 %	95.4 %	94.6 %	1,756	1.92	26,099
Avalon Essex	Peabody, MA	154	198,478	2000	1,289	94.8 %	97.0 %	95.9 %	2,018	1.57	23,515
Avalon Oaks West	Wilmington, MA	120	133,376	2002	1,111	94.2 %	95.3 %	95.8 %	1,693	1.52	17,602
Avalon Orchards	Marlborough, MA	156	175,832	2002	1,127	95.5 %	96.5 %	95.3 %	1,759	1.56	23,175
Avalon at Newton Highlands (4)	Newton, MA	294	341,285	2003	1,161	94.9 %	95.1 %	96.4 %	2,757	2.38	60,354
Avalon at The Pinehills	Plymouth, MA	192	255,231	2004	1,329	93.2 %	95.5 %	95.3 %	2,248	1.69	37,594
Eaves Peabody	Peabody, MA	286	250,624	1962/2004	876	97.9 %	97.5 %	95.8 %	1,631	1.86	35,970
Avalon at Bedford Center	Bedford, MA	139	159,914	2006	1,150	95.0 %	96.3 %	97.4 %	2,215	1.93	25,276
Avalon at Chestnut Hill	Chestnut Hill, MA	204	270,956	2007	1,328	96.6 %	96.3 %	97.2 %	3,202	2.41	62,560
Avalon Shrewsbury	Shrewsbury, MA	251	272,861	2007	1,087	95.6 %	96.3 %	94.4 %	1,660	1.53	36,968
Avalon at Lexington Hills	Lexington, MA	387	484,402	2008	1,252	95.3 %	95.1 %	95.9 %	2,547	2.04	89,481
Avalon Acton	Acton, MA	380	375,074	2008	987	95.5 %	95.4 %	95.0 %	1,688	1.71	64,377
Avalon at Hingham Shipyard	Hingham, MA	235	290,951	2009	1,238	91.0 %	94.4 %	94.1 %	2,646	2.14	54,664
Avalon Sharon	Sharon, MA	156	175,389	2008	1,124	95.5 %	95.6 %	94.9 %	2,036	1.81	30,626
Avalon Northborough	Northborough, MA	382	454,033	2009	1,189	97.1 %	96.1 %	94.2 %	1,877	1.58	60,690
Avalon Blue Hills	Randolph, MA	276	269,990	2009	978	94.9 %	95.3 %	95.3 %	1,647	1.68	46,444
Avalon Cohasset	Cohasset, MA	220	293,272	2012	1,333	93.2 %	95.2 %	93.0 %	2,230	1.67	55,073
Avalon Andover	Andover, MA	115	132,918	2012	1,156	96.5 %	95.2 %	92.8 %	1,999	1.73	26,183
Avalon Prudential Center II	Boston, MA	266	243,315	1968/1998	915	94.7 %	96.2 %	95.0 %	3,508	3.84	84,182
Avalon Prudential Center I	Boston, MA	243	242,410	1968/1998	998	97.1 %	96.0 %	95.4 %	3,731	3.74	71,412
Eaves North Quincy	Quincy, MA	224	157,908	1977/2013	705	95.5 %	94.5 %	96.3 %	1,884	2.67	54,154

Avalon at Center Place (5)	Providence, RI	225	222,477	1991/1997	989	93.2 %	96.2 %	95.2 %	2,799	2.83	37,379
Fairfield - New Haven, CT											
Eaves Stamford	Stamford, CT	238	222,165	1991	933	94.9 %	95.8 %	94.3 %	2,256	2.42	42,747
Avalon Wilton I	Wilton, CT	102	158,259	1997	1,552	94.1 %	94.5 %	96.0 %	3,466	2.23	22,621
Avalon New Canaan	New Canaan, CT	104	132,080	2002	1,270	94.2 %	94.9 %	92.8 %	3,318	2.61	29,524
AVA Stamford	Stamford, CT	306	315,380	2002/2002	1,031	96.7 %	95.1 %	95.5 %	2,418	2.35	75,152
Avalon Danbury	Danbury, CT	234	235,320	2005	1,006	96.6 %	96.4 %	96.4 %	1,755	1.74	36,368
Avalon Darien	Darien, CT	189	242,675	2004	1,284	95.2 %	96.1 %	94.7 %	2,968	2.31	43,579
Avalon Milford I	Milford, CT	246	217,077	2004	882	95.9 %	95.8 %	95.5 %	1,624	1.84	32,459
Avalon Norwalk	Norwalk, CT	311	310,629	2011	999	96.5 %	96.7 %	96.3 %	2,143	2.15	74,670
Avalon Huntington	Shelton, CT	99	139,925	2008	1,413	95.9 %	97.2 %	96.7 %	2,371	1.68	25,443
Avalon Wilton II	Wilton, CT	100	128,716	2011	1,287	91.0 %	96.5 %	96.6 %	2,497	1.94	30,367

Table of Contents

	City and state	Number of homes	Approx. rentable area (Sq. Ft.)	Year of completion/ acquisition	Average size (Sq. Ft.)	Physical occupancy at 12/31/15	Average economic occupancy 2015	Average economic occupancy 2014	Average rental rate $ per Apt (2)	Average rental rate $ per Sq. Ft.	Financial reporting cost (3)
METRO NY/NJ											
New York City, NY											
Avalon Riverview I (5)	Long Island City, NY	372	333,165	2002	896	96.0 %	96.1 %	97.6 %	3,827	4.27	100,708
Avalon Bowery Place	New York, NY	206	152,725	2006	741	93.2 %	96.2 %	96.9 %	5,477	7.39	95,967
Avalon Riverview North (5)	Long Island City, NY	602	477,665	2008	793	95.2 %	95.7 %	97.2 %	3,607	4.55	169,005
Avalon Bowery Place II	New York, NY	90	73,596	2007	818	100.0 %	96.2 %	96.9 %	5,142	6.29	59,603
Avalon Morningside Park (5)	New York, NY	295	245,320	2009	832	96.3 %	95.5 %	96.5 %	3,859	4.64	115,270
Avalon Fort Greene	Brooklyn, NY	631	498,651	2010	790	95.7 %	96.1 %	97.0 %	3,405	4.31	300,700
Avalon Midtown West	New York, NY	550	393,480	1998/2013	715	95.3 %	95.5 %	95.2 %	4,029	5.63	347,282
Avalon Clinton North	New York, NY	339	222,862	2008/2013	657	95.9 %	94.6 %	94.0 %	3,379	5.14	197,190
Avalon Clinton South	New York, NY	288	196,798	2007/2013	683	94.8 %	93.7 %	94.3 %	3,450	5.05	166,510
New York - Suburban											
Avalon Commons	Smithtown, NY	312	377,318	1997	1,209	95.8 %	96.2 %	96.5 %	2,467	2.04	38,775
Eaves Nanuet	Nanuet, NY	504	608,842	1998	1,208	96.4 %	95.9 %	96.9 %	2,391	1.98	58,459
Avalon Willow	Mamaroneck, NY	227	216,289	2000	953	95.6 %	94.4 %	95.6 %	2,605	2.73	48,725
Avalon Court	Melville, NY	494	596,874	1997	1,208	94.1 %	95.4 %	96.3 %	2,865	2.37	62,395
The Avalon	Bronxville, NY	110	118,952	1999	1,081	92.7 %	92.3 %	93.6 %	4,677	4.33	39,216
Avalon at Glen Cove (5)	Glen Cove, NY	256	261,425	2004	1,021	94.1 %	95.6 %	96.2 %	2,734	2.68	69,303
Avalon Pines	Coram, NY	450	545,989	2005	1,213	95.3 %	96.1 %	96.9 %	2,301	1.90	72,577
Avalon Glen Cove North (5)	Glen Cove, NY	111	100,754	2007	908	95.5 %	94.9 %	96.1 %	2,517	2.77	40,277
Avalon White Plains	White Plains, NY	407	372,406	2009	915	94.8 %	95.0 %	95.6 %	3,141	3.43	152,954

Avalon Rockville Centre	Rockville Centre, NY	349	349,048	2012	1,000	98.6	%	96.1	%	96.4	%	3,100	3.10	111,029
Avalon Green II	Elmsford, NY	444	533,544	2012	1,202	91.0	%	94.8	%	94.8	%	2,804	2.33	105,326
Avalon Garden City	Garden City, NY	204	288,443	2013	1,414	93.6	%	95.5	%	97.2	%	3,902	2.76	67,577
Avalon Westbury	Westbury, NY	396	401,496	2006/2013	1,014	96.0	%	95.9	%	96.5	%	2,776	2.74	123,283
New Jersey														
Avalon Cove	Jersey City, NJ	504	575,393	1997	1,142	95.2	%	96.8	%	96.5	%	3,630	3.18	112,301
Eaves Lawrenceville (6)	Lawrenceville, NJ	632	707,592	1994	1,120	94.6	%	95.4	%	95.3	%	1,639	1.46	82,880
Avalon Princeton Junction	West Windsor, NJ	512	486,069	1988/1993	949	94.3	%	95.5	%	95.9	%	1,771	1.87	48,894
Avalon at Florham Park	Florham Park, NJ	270	330,410	2001	1,224	96.7	%	95.1	%	96.0	%	2,886	2.36	44,105
Avalon at Freehold	Freehold, NJ	296	317,356	2002	1,072	94.2	%	96.0	%	95.8	%	1,959	1.83	35,683
Avalon Run East	Lawrenceville, NJ	312	341,320	2005	1,094	93.9	%	95.7	%	96.0	%	2,006	1.83	53,239
Avalon at Tinton Falls	Tinton Falls, NJ	216	237,747	2008	1,101	93.1	%	95.4	%	95.7	%	1,984	1.80	41,504
Avalon at West Long Branch	West Long Branch, NJ	180	193,511	2011	1,075	93.9	%	95.2	%	95.9	%	2,071	1.93	25,717
Avalon North Bergen	North Bergen, NJ	164	146,170	2012	891	93.9	%	96.1	%	97.5	%	2,406	2.70	40,900
Avalon at Wesmont Station	Wood-Ridge, NJ	266	242,637	2012	912	94.0	%	96.1	%	96.7	%	2,096	2.30	57,017
Avalon Hackensack at Riverside (5)	Hackensack, NJ	226	228,393	2013	1,011	95.1	%	96.9	%	96.8	%	2,655	2.63	44,625

23

Table of Contents

	City and state	Number of homes	Approx. rentable area (Sq. Ft.)	Year of completion/ acquisition	Average size (Sq. Ft.)	Physical occupancy at 12/31/15	Average economic occupancy 2015	Average economic occupancy 2014	Average rental rate $ per Apt (2)	Average rental rate $ per Sq. Ft.	Financial reporting cost (3)
Avalon at Wesmont Station II	Wood-Ridge, NJ	140	146,799	2013	1,049	97.9 %	94.9 %	97.2 %	2,110	2.01	23,365
MID-ATLANTIC											
Washington Metro/Baltimore, MD											
Avalon at Foxhall	Washington, DC	308	297,700	1982/1994	967	95.8 %	94.4 %	92.4 %	2,799	2.90	47,018
Avalon at Gallery Place	Washington, DC	203	184,157	2003	907	97.5 %	96.9 %	95.7 %	2,916	3.21	50,452
AVA H Street	Washington, DC	138	95,594	2013	693	94.9 %	94.4 %	95.5 %	2,215	3.20	32,707
Avalon The Albemarle	Washington, DC	228	255,002	1966/2013	1,118	93.0 %	94.5 %	95.6 %	2,641	2.36	82,207
Eaves Tunlaw Gardens	Washington, DC	166	113,512	1944/2013	684	97.6 %	95.7 %	96.8 %	1,749	2.56	41,432
The Statesman	Washington, DC	281	190,420	1961/2013	678	94.0 %	95.3 %	94.0 %	2,027	2.99	77,207
Eaves Glover Park	Washington, DC	120	104,162	1953/2013	868	93.3 %	95.6 %	95.2 %	2,274	2.62	38,258
AVA Van Ness	Washington, DC	269	225,592	1978/2013	839	94.0 %	95.8 %	94.3 %	2,118	2.53	85,237
Avalon First & M	Washington, DC	469	410,812	2012/2013	876	93.8 %	95.4 %	93.1 %	2,806	3.20	200,315
Avalon at Fairway Hills (6)	Columbia, MD	720	724,027	1987/1996	1,006	95.7 %	95.4 %	95.4 %	1,545	1.54	59,127
Eaves Washingtonian Center I	North Potomac, MD	192	191,280	1996	996	92.7 %	96.1 %	96.9 %	1,549	1.55	15,191
Eaves Washingtonian Center II	North Potomac, MD	96	99,386	1998	1,035	96.9 %	96.8 %	95.7 %	1,724	1.67	8,505
Eaves Columbia Town Center	Columbia, MD	392	395,860	1986/1993	1,010	40.8 %	95.7 %	96.5 %	1,552	1.54	55,950
Avalon at Grosvenor Station	Bethesda, MD	497	476,687	2004	959	95.0 %	96.2 %	95.4 %	1,948	2.03	84,301
Avalon at Traville	Rockville, MD	520	573,717	2004	1,103	92.1 %	94.9 %	96.2 %	1,925	1.74	72,519
Avalon Russett	Laurel, MD	238	274,663	1999/2013	1,154	97.5 %	96.4 %	96.6 %	1,849	1.60	60,537
Eaves Fair Lakes	Fairfax, VA	420	355,228	1989/1996	846	95.5 %	96.0 %	96.7 %	1,606	1.90	38,848

AVA Ballston	Arlington, VA	344	294,271	1990	855	93.9	%	94.8	%	94.4	%	2,175	2.54	52,585
Eaves Fairfax City	Fairfax, VA	141	148,282	1988/1997	1,052	97.2	%	95.0	%	96.4	%	1,873	1.78	16,449
Avalon Park Crest	Tysons Corner, VA	354	288,231	2013	814	96.3	%	97.3	%	96.3	%	2,054	2.52	77,112
Eaves Fairfax Towers	Falls Church, VA	415	336,051	1978/2011	810	96.6	%	96.3	%	96.4	%	1,775	2.19	94,495
Avalon Ballston Place	Arlington, VA	383	333,225	2001/2013	870	94.5	%	94.8	%	94.9	%	2,447	2.81	166,042
Eaves Tysons Corner	Vienna, VA	217	209,940	1980/2013	967	98.2	%	96.6	%	96.4	%	1,820	1.88	64,031
Avalon Ballston Square	Arlington, VA	714	626,170	1992/2013	877	95.9	%	96.1	%	96.0	%	2,335	2.66	299,649
Avalon Courthouse Place	Arlington, VA	564	478,896	1999/2013	849	95.4	%	94.5	%	94.6	%	2,379	2.80	243,450
Avalon Reston Landing	Reston, VA	400	398,192	2000/2013	995	95.5	%	95.8	%	96.4	%	1,826	1.83	114,199
PACIFIC NORTHWEST														
Seattle, WA														
Avalon Redmond Place	Redmond, WA	222	211,450	1991/1997	952	95.5	%	95.4	%	95.8	%	1,824	1.91	33,173
Avalon at Bear Creek	Redmond, WA	264	288,250	1998/1998	1,092	95.8	%	95.5	%	95.1	%	1,837	1.68	38,022
Avalon Bellevue	Bellevue, WA	201	165,504	2001	823	91.5	%	95.7	%	94.9	%	1,998	2.43	32,509
Avalon RockMeadow	Bothell, WA	206	243,958	2000/2000	1,184	95.6	%	94.4	%	95.4	%	1,634	1.38	26,756
Avalon ParcSquare	Redmond, WA	124	127,251	2000/2000	1,026	94.4	%	93.8	%	94.8	%	1,986	1.93	21,598
Avalon Brandemoor	Lynnwood, WA	424	453,602	2001/2001	1,070	95.3	%	94.5	%	94.8	%	1,478	1.38	47,098
AVA Belltown	Seattle, WA	100	82,418	2001	824	97.0	%	94.0	%	95.5	%	2,185	2.65	19,265

Table of Contents

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Avalon Meydenbauer	Bellevue, WA	368	331,945	2008	902	95.9 %	96.2 %	96.3 %	2,091	2.32	91,099
Avalon Towers Bellevue (5)	Bellevue, WA	397	331,366	2011	835	95.7 %	95.2 %	95.4 %	2,492	2.99	123,845
AVA Queen Anne	Seattle, WA	203	164,644	2012	811	97.5 %	95.1 %	95.4 %	2,201	2.71	54,046
Avalon Brandemoor II	Lynnwood, WA	82	93,320	2011	1,138	96.3 %	95.3 %	94.2 %	1,673	1.47	13,998
AVA Ballard	Seattle, WA	265	190,043	2013	717	94.3 %	94.7 %	96.2 %	2,013	2.81	64,304
Eaves Redmond Campus	Redmond, WA	422	429,190	1991/2013	1,017	96.7 %	95.0 %	94.4 %	1,963	1.93	116,270
Archstone Redmond Lakeview	Redmond, WA	166	141,000	1987/2013	849	97.0 %	95.3 %	95.9 %	1,658	1.95	39,057
NORTHERN CALIFORNIA											
San Jose, CA											
Avalon Campbell	Campbell, CA	348	326,796	1995	939	96.0 %	95.5 %	95.3 %	2,530	2.69	73,094
Eaves San Jose	San Jose, CA	440	387,420	1985/1996	881	80.0 %	95.2 %	96.4 %	2,369	2.69	84,835
Avalon on the Alameda	San Jose, CA	305	299,762	1999	983	94.7 %	94.5 %	96.0 %	2,823	2.87	58,204
Avalon Mountain View (12)	Mountain View, CA	248	211,525	1986	853	95.2 %	95.5 %	96.3 %	3,036	3.56	59,108
Avalon at Cahill Park	San Jose, CA	218	218,177	2002	1,001	97.2 %	95.4 %	96.2 %	2,862	2.86	53,849
Avalon Towers on the Peninsula	Mountain View, CA	211	218,392	2002	1,035	98.1 %	96.5 %	96.8 %	3,848	3.72	66,814
Avalon Willow Glen	San Jose, CA	412	382,147	2002/2013	928	94.9 %	95.7 %	95.2 %	2,520	2.72	132,113
Eaves West Valley	San Jose, CA	789	504,813	1970/2013	640	94.2 %	95.7 %	96.6 %	1,924	3.01	211,920
Eaves Mountain View at Middlefield	Mountain View, CA	402	261,600	1969/2013	651	92.5 %	95.3 %	96.1 %	2,481	3.81	138,200
Oakland - East Bay, CA											
Avalon Fremont	Fremont, CA	308	316,052	1992/1994	1,026	96.4 %	95.9 %	96.9 %	2,497	2.43	59,415
Eaves Pleasanton	Pleasanton, CA	456	366,062	1988/1994	803	94.9 %	95.1 %	96.2 %	2,210	2.75	79,583

Eaves Union City	Union City, CA	208	150,225	1973/1996	722	96.2	%	95.6	%	96.4	%	1,9752.73	23,987
Eaves Fremont	Fremont, CA	235	191,935	1985/1994	817	97.4	%	95.5	%	96.1	%	2,3172.84	42,895
Avalon Union City	Union City, CA	439	429,800	2009	979	96.8	%	95.1	%	96.4	%	2,2342.28	119,467
Avalon Walnut Creek (5)	Walnut Creek, CA	418	410,218	2010	981	94.3	%	95.2	%	96.3	%	2,7212.77	148,243
Eaves Walnut Creek	Walnut Creek, CA	510	380,542	1987/2013	746	95.5	%	95.5	%	96.3	%	1,9222.58	124,327
Avalon Walnut Ridge II	Walnut Creek, CA	360	251,901	1989/2013	700	95.3	%	95.4	%	96.5	%	2,0172.88	87,617
San Francisco, CA													
Eaves Daly City	Daly City, CA	195	141,411	1972/1997	725	95.9	%	96.3	%	96.9	%	2,3843.29	32,631
AVA Nob Hill	San Francisco, CA	185	108,962	1990/1995	589	97.8	%	95.2	%	95.7	%	2,8854.90	33,904
Eaves San Rafael	San Rafael, CA	254	221,780	1973/1996	873	96.0	%	96.5	%	97.1	%	2,3392.68	47,263
Eaves Foster City	Foster City, CA	288	222,364	1973/1994	772	96.2	%	95.4	%	96.5	%	2,5103.25	50,504
Eaves Pacifica	Pacifica, CA	220	186,800	1971/1995	849	93.6	%	96.3	%	97.6	%	2,2952.70	33,648
Avalon Sunset Towers	San Francisco, CA	243	171,836	1961/1996	707	93.4	%	93.7	%	95.4	%	2,7723.92	39,916
Eaves Diamond Heights	San Francisco, CA	154	123,047	1972/1994	799	98.7	%	96.1	%	96.7	%	2,6403.30	29,700
Avalon at Mission Bay North	San Francisco, CA	250	241,788	2003	967	94.8	%	95.1	%	96.6	%	4,4074.56	95,336
Avalon at Mission Bay III	San Francisco, CA	260	261,169	2009	1,004	93.1	%	95.2	%	96.2	%	4,4454.43	147,918

Table of Contents

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Avalon Ocean Avenue	San Francisco, CA	173	161,083	2012	931	97.7 %	95.4 %	96.1 %	3,542	3.80	58,186
Avalon San Bruno	San Bruno, CA	300	267,171	2004/2013	891	96.7 %	95.5 %	96.1 %	2,701	3.03	112,492
Avalon San Bruno II	San Bruno, CA	185	156,583	2007/2013	846	95.7 %	95.2 %	96.6 %	2,667	3.15	70,390
Avalon San Bruno III	San Bruno, CA	187	232,147	2010/2013	1,241	95.7 %	95.3 %	96.1 %	3,740	3.01	98,625
SOUTHERN CALIFORNIA											
Los Angeles, CA											
Avalon Woodland Hills	Woodland Hills, CA	663	594,396	1989/1997	897	96.8 %	95.6 %	96.4 %	1,960	2.19	111,554
Eaves Warner Center	Woodland Hills, CA	227	191,443	1979/1998	843	95.6 %	96.2 %	96.8 %	1,846	2.19	29,476
Avalon at Glendale (5)	Glendale, CA	223	241,714	2003	1,084	96.8 %	96.8 %	97.1 %	2,633	2.43	43,883
Avalon Burbank	Burbank, CA	400	360,587	1988/2002	901	96.3 %	96.5 %	96.8 %	2,540	2.82	94,859
Avalon Camarillo	Camarillo , CA	249	233,282	2006	937	96.0 %	96.6 %	96.8 %	1,893	2.02	49,145
Avalon Wilshire	Los Angeles, CA	123	125,093	2007	1,017	95.9 %	95.6 %	96.9 %	3,117	3.07	47,699
Avalon Encino	Encino, CA	131	131,220	2008	1,002	99.2 %	97.2 %	96.9 %	2,888	2.88	62,438
Avalon Warner Place	Canoga Park, CA	210	186,402	2008	888	98.1 %	96.0 %	96.8 %	1,927	2.17	52,992
Eaves Phillips Ranch	Pomona, CA	501	498,036	1989/2011	994	95.4 %	95.7 %	96.2 %	1,682	1.69	51,965
Eaves San Dimas	San Dimas, CA	102	94,200	1978/2011	924	97.1 %	96.2 %	97.2 %	1,520	1.65	10,772
Eaves San Dimas Canyon	San Dimas, CA	156	144,669	1981/2011	927	92.9 %	94.9 %	96.6 %	1,634	1.76	15,703
Eaves Cerritos	Artesia, CA	151	106,961	1973/2012	708	98.0 %	96.8 %	97.3 %	1,652	2.33	30,930
Avalon Playa Vista	Los Angeles, CA	309	283,183	2006/2012	916	96.4 %	96.0 %	96.3 %	2,341	2.55	105,068
Avalon Simi Valley	Simi Valley, CA	500	430,218	2007/2013	860	97.2 %	95.5 %	96.0 %	1,820	2.12	119,945
Avalon Studio City II	Studio City, CA	101	83,936	1991/2013	831	92.1 %	95.2 %	94.9 %	2,116	2.55	28,802
Avalon Studio City III	Studio City, CA	276	263,512	2002/2013	955	94.5 %	94.3 %	93.7 %	2,490	2.61	97,541

Avalon Calabasas	Calabasas, CA	600	506,547	1988/2013	844	97.0 %	95.6 %	95.9 %	1,9112.26	158,823
Avalon Oak Creek	Agoura Hills, CA	336	364,176	2004/2013	1,084	96.1 %	96.2 %	96.3 %	2,4262.24	128,513
Avalon Del Mar Station	Pasadena, CA	347	338,390	2006/2013	975	94.8 %	95.3 %	95.6 %	2,4092.47	130,479
Eaves Old Town Pasadena	Pasadena, CA	96	66,420	1972/2013	692	96.9 %	96.2 %	96.9 %	1,9312.79	25,857
Eaves Thousand Oaks	Thousand Oaks, CA	154	134,388	1992/2013	873	97.4 %	95.9 %	96.9 %	2,0632.36	36,314
Eaves Los Feliz	Los Angeles, CA	263	201,830	1989/2013	767	96.2 %	97.3 %	95.6 %	1,9262.51	66,034
Eaves Woodland Hills	Woodland Hills, CA	883	578,668	1971/2013	655	95.5 %	96.5 %	97.0 %	1,5062.30	168,938
Avalon Thousand Oaks Plaza	Thousand Oaks, CA	148	140,464	2002/2013	949	95.3 %	96.1 %	95.8 %	2,1212.23	37,264
Orange County, CA										
AVA Newport	Costa Mesa, CA	145	122,415	1956/1996	844	96.6 %	95.3 %	93.3 %	2,1552.55	15,590
Eaves Mission Viejo	Mission Viejo, CA	166	124,550	1984/1996	750	96.4 %	95.7 %	96.1 %	1,5452.06	15,240
Eaves South Coast	Costa Mesa, CA	258	207,672	1973/1996	805	96.9 %	96.2 %	95.8 %	1,8052.24	33,667
Eaves Santa Margarita	Rancho Santa Margarita, CA	301	229,593	1990/1997	763	96.0 %	95.9 %	95.3 %	1,6842.21	31,945
Eaves Huntington Beach	Huntington Beach, CA	304	268,000	1971/1997	882	94.7 %	95.8 %	95.9 %	1,8372.08	34,272
Avalon Anaheim Stadium	Anaheim, CA	251	302,480	2009	1,205	93.6 %	95.4 %	95.7 %	2,4862.06	97,736
Avalon Irvine	Irvine, CA	279	243,157	2010	872	94.9 %	95.1 %	95.9 %	2,0162.31	77,503

26

Table of Contents

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Avalon Irvine II	Irvine, CA	179	160,844	2013	899	94.4 %	94.6 %	94.6 %	2,155	2.40	45,264
Eaves Lake Forest	Lake Forest, CA	225	215,319	1975/2011	957	94.2 %	95.1 %	94.8 %	1,730	1.81	28,464
Eaves Seal Beach	Seal Beach, CA	549	388,254	1971/2013	707	95.2 %	95.9 %	95.8 %	1,977	2.80	151,537
San Diego, CA											
Eaves Mission Ridge	San Diego, CA	200	207,700	1960/1997	1,039	97.0 %	95.4 %	96.0 %	1,970	1.90	24,991
AVA Cortez Hill (5)	San Diego, CA	299	230,395	1973/1998	771	94.6 %	95.4 %	95.6 %	1,878	2.44	46,399
Avalon Fashion Valley	San Diego, CA	161	183,802	2008	1,142	94.4 %	95.2 %	95.3 %	2,309	2.02	64,998
Eaves San Marcos	San Marcos, CA	184	161,352	1988/2011	877	94.5 %	95.5 %	96.6 %	1,775	2.02	17,644
Eaves Rancho Penasquitos	San Diego, CA	250	191,256	1986/2011	765	95.2 %	95.1 %	95.4 %	1,692	2.21	35,862
Eaves La Mesa	La Mesa, CA	168	139,428	1989/2013	830	95.2 %	95.6 %	95.5 %	1,698	2.05	39,326
OTHER STABILIZED											
Eaves Dublin (7)	Dublin, CA	204	179,004	1989/1997	877	93.1 %	95.6 %	96.0 %	2,272	2.59	37,228
AVA Burbank (7)	Burbank, CA	748	530,160	1961/1997	709	94.9 %	96.2 %	96.0 %	1,890	2.67	98,752
AVA Pacific Beach (7)	San Diego, CA	564	402,285	1969/1997	713	94.1 %	93.8 %	95.7 %	1,840	2.58	90,609
Eaves Creekside (7)	Mountain View, CA	296	216,076	1962/1997	730	96.6 %	95.6 %	95.2 %	2,581	3.54	54,119
AVA Pasadena (7)	Pasadena, CA	84	70,648	1973/2012	841	94.0 %	95.8 %	94.1 %	2,288	2.72	25,461
AVA 55 Ninth (8)	San Francisco, CA	273	236,907	2014	868	93.4 %	95.5 %	56.3 %	3,831	4.41	118,613
Avalon Morrison Park (8)	San Jose, CA	250	277,710	2014	1,111	97.6 %	96.0 %	66.8 %	3,040	2.74	78,364
Avalon San Dimas (8)	San Dimas, CA	156	159,937	2014	1,025	94.9 %	96.8 %	47.7 %	1,835	1.79	39,849
Avalon Mission Oaks (9)	Camarillo, CA	160	157,120	2014	982	96.3 %	95.8 %	100.0 %	1,967	2.00	47,029
Toluca Hills Apartments by Avalon (11)	Los Angeles, CA	1,151	797,851	1973/2013	693	N/A	N/A	N/A	N/A	N/A	257,877
	Berkeley, CA	94	78,858	2014	839	94.7 %	95.6 %	66.3 %	2,773	3.31	32,930

Avalon Berkeley (8)														
Eaves West Valley II	San Jose, CA	84	71,136	2013	847	94.0	%	95.4	%	93.1	%	2,674	3.16	18,412
Avalon Studio City (7)	Studio City, CA	450	331,324	1987/2013	736	94.6	%	96.3	%	96.5	%	1,950	2.65	113,210
Eaves Trumbull	Trumbull, CT	340	379,382	1997	1,116	96.8	%	96.2	%	95.6	%	1,815	1.63	39,528
Avalon Shelton III	Shelton, CT	250	249,190	2013	997	94.4	%	96.0	%	94.5	%	1,864	1.87	48,018
Avalon East Norwalk	Norwalk, CT	240	223,698	2013	932	95.0	%	97.0	%	94.5	%	2,075	2.23	46,641
Avalon at Stratford (8)	Stratford, CT	130	148,136	2014	1,140	93.0	%	96.1	%	48.6	%	1,810	1.59	29,673
Avalon Oaks	Wilmington, MA	204	229,932	1999	1,127	93.6	%	94.5	%	92.4	%	1,771	1.57	24,696
Avalon Natick	Natick, MA	407	362,702	2013	891	95.6	%	96.0	%	96.5	%	2,081	2.33	80,490
Avalon at Assembly Row (5)(8)	Somerville, MA	195	181,910	2015	933	97.9	%	97.1	%	44.7	%	2,679	2.87	55,936
Eaves Burlington (7)	Burlington, MA	203	198,230	1988/2012	977	95.6	%	96.7	%	95.9	%	1,718	1.76	45,426
Avalon Canton at Blue Hills (8)	Canton, MA	196	235,465	2014	1,201	94.9	%	95.5	%	58.8	%	1,954	1.63	40,557
Avalon Burlington	Burlington, MA	312	315,515	1989/2013	1,011	94.2	%	95.5	%	93.2	%	1,886	1.87	88,841
Avalon at Edgewater (10)	Edgewater, NJ	168	175,562	2002	1,045	94.6	%	92.9	%	96.4	%	2,342	2.24	40,434
Avalon Somerset	Somerset, NJ	384	390,365	2013	1,017	95.6	%	95.3	%	95.5	%	2,043	2.01	76,584
Avalon Bloomingdale (8)	Bloomingdale, NJ	174	176,542	2014	1,015	98.3	%	95.2	%	90.8	%	2,114	2.08	30,806
Avalon Green (7)	Elmsford, NY	105	113,538	1995	1,081	91.4	%	94.1	%	95.2	%	2,631	2.43	19,296

Table of Contents

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AVA High Line (5)(8)	New York, NY	405	271,324	2015	670	94.8 %	96.2 %	59.9 %	2,991	4.46	155,989
Avalon Ossining (8)	Ossining, NY	168	184,137	2014	1,096	96.4 %	95.3 %	61.5 %	2,540	2.32	36,687
Archstone Lexington	Flower Mound, TX	222	218,309	2000/2013	983	91.9 %	94.3 %	95.9 %	1,427	1.45	32,349
Archstone Toscano (8)	Houston, TX	474	460,983	2014	973	92.8 %	95.2 %	72.1 %	1,710	1.76	87,972
Memorial Heights Villages (8)	Houston, TX	318	305,262	2014	960	83.2 %	88.0 %	35.4 %	1,762	1.84	52,543
Avalon Tysons Corner (7)	Tysons Corner, VA	558	613,426	1996	1,099	93.4 %	95.5 %	94.4 %	2,105	1.91	69,733
Avalon Arlington North (8)	Arlington, VA	228	268,499	2014	1,178	94.7 %	95.8 %	55.3 %	2,919	2.48	80,677
Oakwood Arlington (11)	Arlington, VA	184	154,376	1987/2013	839	N/A	N/A	N/A	N/A	N/A	59,551
AVA University District (8)	Seattle, WA	283	201,389	2014	712	89.7 %	91.1 %	67.3 %	2,263	3.18	73,660
LEASE-UP											
Avalon Exeter (5)(8)	Boston, MA	187	200,641	2014	1,073	94.6 %	91.4 %	28.0 %	5,531	5.15	126,504
AVA Somerville (5)(8)	Somerville, MA	250	200,207	2015	801	96.8 %	82.1 %	7.9 %	2,436	3.04	71,712
AVA Theater District (8)	Boston, MA	398	324,982	2015	817	56.9 %	22.2 %	N/A	3,851	4.72	177,181
Avalon Marlborough (8)	Marlborough, MA	350	417,647	2015	1,193	82.2 %	43.8 %	N/A	2,054	1.72	74,391
Avalon Framingham (8)	Framingham, MA	180	211,095	2015	1,173	62.0 %	34.5 %	N/A	2,259	1.93	43,307
Avalon Huntington Station (8)	Huntington Station, NY	303	364,602	2014	1,203	95.4 %	97.2 %	40.9 %	2,489	2.07	80,498
Avalon Wharton (8)	Wharton, NJ	247	245,531	2015	994	97.6 %	84.5 %	18.3 %	2,008	2.02	50,777
Avalon Bloomfield Station (8)	Bloomfield, NJ	224	211,102	2015	942	98.2 %	45.8 %	N/A	2,384	2.53	50,592
Avalon Roseland (8)	Roseland, NJ	136	192,530	2015	1,416	93.3 %	61.5 %	N/A	2,940	2.08	45,769
Avalon West Chelsea (5)(8)	New York, NY	305	226,556	2015	743	96.4 %	91.3 %	26.7 %	3,837	5.17	119,361
Avalon Mosaic (8)	Fairfax, VA	531	458,198	2014	863	92.8 %	94.2 %	52.0 %	2,050	2.38	109,211
Avalon Alderwood I (8)	Lynnwood, WA	367	352,238	2015	960	93.2 %	90.3 %	30.1 %	1,629	1.70	67,717
Avalon Dublin Station (8)	Dublin, CA	253	247,430	2014	978	95.7 %	91.1 %	63.8 %	2,576	2.63	78,674
		182	135,082	2015	742	97.2 %	58.4 %	N/A	4,353	5.87	92,394

Avalon Hayes Valley (8)	San Francisco, CA													
Avalon Vista (8)	Vista, CA	221	222,814	2015	1,008	92.2	%	50.2	%	N/A		2,005	1.99	55,347
Avalon Baker Ranch (8)	Lake Forest, CA	430	425,497	2015	990	96.7	%	54.5	%	5.7	%	2,251	2.27	129,106
AVA Little Tokyo (8)	Los Angeles, CA	280	285,220	2015	1,019	93.9	%	83.6	%	18.9	%	2,751	2.70	108,426
REDEVELOPMENT														
Avalon Silicon Valley (7)	Sunnyvale, CA	710	653,929	1998	921	95.6	%	94.8	%	96.0	%	2,795	3.03	131,449
Avalon Santa Monica on Main (7)	Santa Monica, CA	133	122,460	2007/2013	921	89.9	%	93.8	%	95.9	%	4,341	4.71	103,770
Avalon La Jolla Colony (7)	San Diego, CA	180	137,036	1987/2013	761	92.7	%	95.2	%	96.6	%	1,849	2.43	48,141
Avalon Walnut Ridge I (7)	Walnut Creek, CA	106	80,942	2000/2013	764	94.3	%	95.9	%	96.9	%	2,181	2.86	32,259
Avalon Pasadena (7)	Pasadena, CA	120	102,516	2004/2013	854	94.1	%	96.2	%	96.1	%	2,537	2.97	44,517
AVA Back Bay (7)	Boston, MA	271	246,830	1968/1998	911	95.8	%	94.1	%	93.2	%	3,510	3.85	85,080
Avalon Bear Hill (7)	Waltham, MA	324	391,394	1999/2013	1,208	90.3	%	93.5	%	94.2	%	2,631	2.18	142,358
Avalon Towers (7)	Long Beach, NY	109	124,611	1990/1995	1,143	91.7	%	93.5	%	96.5	%	4,000	3.50	35,218
Avalon at Arlington Square (7)	Arlington, VA	842	896,262	2001	1,064	94.5	%	93.5	%	95.3	%	2,098	1.97	130,407

Table of Contents

	City and state	Number of homes	Approx. rentable area (Sq. Ft.)	Year of completion/ acquisition	Average size (Sq. Ft.)	Physical occupancy at 12/31/15	Average economic occupancy 2015	Average economic occupancy 2014	Average rental rate $ per Apt (2)	Average rental rate $ per Sq. Ft.	Financial reporting cost (3)
DEVELOPMENT											
Avalon Glendora (8)	Glendora, CA	280	266,226	N/A	951	53.0 %	20.4 %	N/A	N/A	N/A	82,068
Avalon Irvine III (8)	Irvine, CA	156	151,363	N/A	970	N/A	1.6 %	N/A	N/A	N/A	52,308
Avalon Dublin Station II (8)	Dublin, CA	252	243,809	N/A	967	8.8 %	4.3 %	N/A	N/A	N/A	80,745
Avalon West Hollywood (8)	West Hollywood, CA	294	290,701	N/A	989	N/A	N/A	N/A	N/A	N/A	93,676
Avalon Chino Hills (8)	Chino Hills, CA	331	327,890	N/A	991	N/A	N/A	N/A	N/A	N/A	24,639
Avalon Dogpatch (8)	San Francisco, CA	326	262,927	N/A	807	N/A	N/A	N/A	N/A	N/A	62,306
Avalon Huntington Beach (8)	Huntington Beach, CA	378	322,073	N/A	852	N/A	N/A	N/A	N/A	N/A	88,629
AVA NoMa (8)	Washington, DC	438	367,192	N/A	838	N/A	N/A	N/A	N/A	N/A	47,794
Avalon North Station (8)	Boston, MA	503	403,610	N/A	802	N/A	N/A	N/A	N/A	N/A	142,911
Avalon Quincy (8)	Quincy, MA	395	371,688	N/A	941	N/A	N/A	N/A	N/A	N/A	34,498
AVA Wheaton (8)	Wheaton, MD	319	267,096	N/A	837	N/A	N/A	N/A	N/A	N/A	18,295
Avalon Hunt Valley (8)	Hunt Valley, MD	332	319,791	N/A	963	N/A	N/A	N/A	N/A	N/A	29,230
Avalon Laurel (8)	Laurel, MD	344	374,145	N/A	1,088	N/A	N/A	N/A	N/A	N/A	31,008
Avalon Princeton (8)	Princeton, NJ	280	287,078	N/A	1,025	N/A	N/A	N/A	N/A	N/A	50,071
Avalon Union (8)	Union, NJ	202	230,418	N/A	1,141	12.4 %	5.7 %	N/A	N/A	N/A	39,461
Avalon Maplewood (8)	Maplewood, NJ	235	209,560	N/A	892	N/A	N/A	N/A	N/A	N/A	19,180
Avalon Willoughby Square/AVA DoBro (8)	Brooklyn, NY	826	606,671	N/A	734	6.9 %	6.3 %	N/A	N/A	N/A	408,947
Avalon Green III (8)	Elmsford, NY	68	77,722	N/A	1,143	22.1 %	14.2 %	N/A	N/A	N/A	21,149
Avalon Great Neck (8)	Great Neck, NY	191	202,873	N/A	1,062	N/A	N/A	N/A	N/A	N/A	26,237
Avalon Sheepshead Bay (8)	Brooklyn, NY	180	149,824	N/A	832	N/A	N/A	N/A	N/A	N/A	20,394
Avalon Rockville Centre II (8)	Rockville Centre, NY	165	148,268	N/A	899	N/A	N/A	N/A	N/A	N/A	11,302
Avalon Falls Church (8)	Falls Church, VA	384	396,536	N/A	1,033	66.5 %	31.0 %	N/A	N/A	N/A	104,478
AVA Capitol Hill (8)	Seattle, WA	249	175,286	N/A	704	18.1 %	6.5 %	N/A	N/A	N/A	79,080
Avalon Esterra Park (8)	Redmond, WA	482	440,848	N/A	915	N/A	N/A	N/A	N/A	N/A	84,428

Avalon Alderwood II (8)	Redmond, WA	124	119,904	N/A	967	N/A	N/A	N/A	N/A	N/A	14,264
Avalon Newcastle I (8)	Newcastle, WA	378	388,082	N/A	1,027	N/A	N/A	N/A	N/A	N/A	27,140
UNCONSOLIDATED COMMUNITIES											
Avalon at Mission Bay North II (12)	San Francisco, CA	313	291,655	2006	932	96.2 %	95.6 %	96.1 %	4,214	4.52	N/A
Eaves Tustin (13)	Tustin, CA	628	511,992	1972/2010	815	96.3 %	96.1 %	96.3 %	1,646	2.02	N/A
Eaves Rancho San Diego (13)(16)	El Cajon, CA	676	587,500	1986/2011	869	93.0 %	95.6 %	95.9 %	1,638	1.88	N/A
Briarwood Apartments (13)	Owings Mills, MD	348	340,868	1999/2010	980	96.5 %	96.0 %	96.6 %	1,365	1.39	N/A
Eaves Gaithersburg (13)	Gaithersburg, MD	684	658,816	1974/2010	963	95.9 %	95.9 %	96.4 %	1,396	1.45	N/A
Eaves Rockville (13)	Rockville, MD	210	403,912	1970/2011	1,923	96.7 %	97.7 %	96.6 %	2,234	1.16	N/A
Avalon Watchung (13)	Watchung, NJ	334	336,586	2003/2012	1,008	94.6 %	95.5 %	96.2 %	2,092	2.08	N/A
Avalon North Point (14)	Cambridge, MA	426	383,537	2008/2013	900	95.5 %	95.8 %	92.0 %	3,345	3.72	N/A
Avalon Station 250 (15)	Dedham, MA	285	305,862	2011/2013	1,073	90.9 %	94.7 %	94.7 %	2,206	2.06	N/A
Avalon North Point Lofts (8)(14)	Cambridge, MA	103	46,506	2014	452	95.1 %	95.7 %	33.9 %	2,037	4.51	N/A
Avalon Kips Bay (15)(16)	New York, NY	209	152,865	1998/2013	731	95.7 %	96.0 %	95.4 %	4,836	6.61	N/A

29

Table of Contents

	City and state	Number of homes	Approx. rentable area (Sq. Ft.)	Year of completion/ acquisition	Average size (Sq. Ft.)	Physical occupancy at 12/31/15	Average economic occupancy		Average rental rate		Financial reporting cost (3)
							2015	2014	$ per Apt (2)	$ per Sq. Ft.	
Brandywine (12)	Washington, DC	305	308,050	1954/2013	1,010	N/A	95.8 %	92.4 %	2,419	2.39	N/A
Avalon Woodland Park (14)	Herndon, VA	392	393,112	2000/2013	1,003	96.9 %	95.7 %	95.6 %	1,703	1.70	N/A
Avalon Grosvenor Tower (15)	North Bethesda, MD	237	230,439	1987/2013	972	96.6 %	95.9 %	94.6 %	2,038	2.10	N/A
Eaves Sunnyvale (15)	Sunnyvale, CA	192	204,060	1991/2013	1,063	95.3 %	95.8 %	96.7 %	2,986	2.81	N/A
Archstone Boca Town Center (15)(16)	Boca Raton, FL	252	268,200	1988/2013	1,064	96.8 %	97.0 %	94.5 %	1,645	1.55	N/A
Avalon Kirkland at Carillon (15)	Kirkland, WA	131	176,160	1990/2013	1,345	92.2 %	94.1 %	94.4 %	2,630	1.96	N/A
Avalon Studio 4041 (15)	Studio City, CA	149	120,354	2009/2013	808	90.6 %	94.7 %	96.0 %	2,366	2.93	N/A
Avalon Marina Bay (5)(15)	Marina del Rey, CA	205	177,945	1968/2013	868	95.1 %	95.4 %	80.3 %	3,070	3.54	N/A
Avalon Venice on Rose (15)	Venice, CA	70	84,508	2012/2013	1,207	92.9 %	93.7 %	95.6 %	5,005	4.15	N/A

1. We own a fee simple interest in the communities listed, excepted as noted below.
2. Represents the average per occupied apartment home.
3. Dollars in thousands. Costs are presented in accordance with GAAP. For current Development Communities, cost represents total costs incurred through December 31, 2015 without reduction for deprecation. Financial reporting costs are excluded for unconsolidated communities, see Note 5, "Investments in Real Estate Entities."
4. We own a general partnership interest in a partnership structured as a DownREIT that owns this community.
5. Community is located on land subject to a land lease.
6. We own a general partnership interest in a partnership that owns a fee simple interest in this community.
7. Community was under redevelopment during 2015 and/or 2014, which could result in lower average economic occupancy and average rental rate per square foot for the year.
8. Community was under construction or completed development during 2015 and/or 2014, which could result in lower average economic occupancy and average rental rate per square foot for the year.
9. Community was purchased during 2014, which could result in lower average economic occupancy and average rental rate per square foot for the year.
10. Does not include the 240 apartment homes which were destroyed as a result of the fire at Avalon at Edgewater in January 2015. The financial reporting cost includes the basis for the land parcel which held the apartment homes which were destroyed, and is net of the recognized impairment to write-off the net book value of the fixed assets destroyed by the fire.
11. During 2015, the community was master leased to a third party manager.

12. We own a membership interest in a limited liability company that holds a fee simple interest in this community.
13. We own a 31.3% combined general partnership and indirect limited partner equity interest in this community.
14. We own a 20.0% combined general partnership and indirect limited partner equity interest in this community.
15. We own a 28.6% combined general partnership and indirect limited partner equity interest in this community.
16. The venture sold this community in 2016.

Table of Contents

Development Communities

As of December 31, 2015, we had 26 Development Communities under construction. We expect these Development Communities, when completed, to add a total of 8,112 apartment homes to our portfolio for a total capitalized cost, including land acquisition costs, of approximately $2,884,800,000. We cannot assure you that we will meet our schedule for construction completion or that we will meet our budgeted costs, either individually, or in the aggregate. You should carefully review Item 1A. "Risk Factors" for a discussion of the risks associated with development activity and our discussion under Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" (including the factors identified under "Forward-Looking Statements") for further discussion of development activity.

The following table presents a summary of the Development Communities. We hold a direct or indirect fee simple ownership interest in these communities, unless otherwise noted in the table.

Table of Contents

		Number of apartment homes	Projected total capitalized cost (1) ($ millions)	Construction start	Initial projected occupancy (2)	Estimated completion	Estimated stabilization (3)
1.	Avalon Falls Church Falls Church, VA	384	$ 109.8	Q1 2014	Q1 2015	Q1 2016	Q3 2016
2.	Avalon Glendora Glendora, CA	280	82.5	Q4 2013	Q2 2015	Q1 2016	Q3 2016
3.	Avalon Green III Elmsford, NY	68	22.1	Q4 2014	Q3 2015	Q1 2016	Q3 2016
4.	Avalon Willoughby Square/AVA DoBro Brooklyn, NY	826	444.9	Q3 2013	Q4 2015	Q4 2016	Q3 2017
5.	AVA Capitol Hill Seattle, WA	249	81.4	Q1 2014	Q4 2015	Q2 2016	Q4 2016
6.	Avalon Dublin Station II Dublin, CA	252	83.7	Q2 2014	Q4 2015	Q3 2016	Q4 2016
7.	Avalon Union Union, NJ	202	50.7	Q4 2014	Q4 2015	Q2 2016	Q4 2016
8.	Avalon Irvine III Irvine, CA	156	55.0	Q2 2014	Q1 2016	Q2 2016	Q4 2016
9.	Avalon Huntington Beach Huntington Beach, CA	378	120.3	Q2 2014	Q1 2016	Q2 2017	Q4 2017
10.	Avalon West Hollywood West Hollywood, CA	294	151.7	Q2 2014	Q4 2016	Q3 2017	Q2 2018
11.	Avalon Esterra Park Redmond, WA	482	137.8	Q3 2014	Q1 2016	Q2 2017	Q4 2017
12.	Avalon North Station Boston, MA	503	257.9	Q3 2014	Q4 2016	Q4 2017	Q2 2018
13.	Avalon Princeton Princeton, NJ	280	95.5	Q4 2014	Q3 2016	Q2 2017	Q4 2017
14.	Avalon Alderwood II Lynnwood, WA	124	26.1	Q1 2015	Q2 2016	Q3 2016	Q4 2016
15.	Avalon Hunt Valley Hunt Valley, MD	332	74.0	Q1 2015	Q3 2016	Q2 2017	Q4 2017
16.	Avalon Laurel Laurel, MD	344	72.4	Q2 2015	Q1 2016	Q1 2017	Q3 2017
17	Avalon Quincy Quincy, MA	395	95.3	Q2 2015	Q3 2016	Q2 2017	Q4 2017
18.	Avalon Great Neck Great Neck, NY	191	78.9	Q2 2015	Q1 2017	Q2 2017	Q4 2017
19.	AVA NoMa Washington, D.C.	438	148.3	Q2 2015	Q2 2017	Q1 2018	Q3 2018
20.	Avalon Newcastle I Newcastle, WA	378	110.1	Q3 2015	Q4 2016	Q4 2017	Q2 2018
21.	Avalon Chino Hills Chino Hills, CA	331	96.9	Q3 2015	Q1 2017	Q4 2017	Q2 2018
22.	Avalon Sheepshead Bay (4) Brooklyn, NY	180	86.4	Q3 2015	Q3 2017	Q4 2017	Q2 2018

23.	Avalon Maplewood Maplewood, NJ	235	66.3	Q4 2015	Q3 2017	Q1 2018	Q3 2018
24.	Avalon Rockville Centre II Rockville Centre, NY	165	57.8	Q4 2015	Q3 2017	Q4 2017	Q2 2018
25.	AVA Wheaton Wheaton, MD	319	75.6	Q4 2015	Q2 2017	Q1 2018	Q3 2018
26.	Avalon Dogpatch San Francisco, CA	326	203.4	Q4 2015	Q4 2017	Q3 2018	Q1 2019
	Total	8,112	$ 2,884.8				

(1) Projected total capitalized cost includes all capitalized costs projected to be or actually incurred to develop the respective Development Community, determined in accordance with GAAP, including land acquisition costs, construction costs, real estate taxes, capitalized interest and loan fees, permits, professional fees, allocated development overhead and other regulatory fees. Projected total capitalized cost for communities identified as having joint venture ownership, either during construction or upon construction completion, represents the total projected joint venture contribution amount.

(2) Future initial occupancy dates are estimates. There can be no assurance that we will pursue to completion any or all of these proposed developments.

(3) Stabilized operations is defined as the earlier of (i) attainment of 95% or greater physical occupancy or (ii) the one-year anniversary of completion of development.

(4) We are developing this project with a private development partner. We will own the rental portion of the development on floors 3 through 19 and the partner will own the for-sale condominium portion on floors 20 through 30 of the development. The information above represents only our portion of the project. We are providing a construction loan to the development partner, expected to be $48,800,000 which together with the partner's contributed equity is expected to fund the condominium portion of the project. A more detailed description of Avalon Sheepshead Bay can be found in Note 5, "Investments in Real Estate Entities," of the Consolidated Financial Statements set forth in Item 8 of this report.

During the year ended December 31, 2015, the Company completed the development of the following communities:

		Number of apartment homes	Total capitalized cost (1) ($ millions)	Approximate rentable area (sq. ft.)	Total capitalized cost per sq. ft.	Quarter of completion
1.	Avalon West Chelsea/AVA High Line (2) (3) New York, NY	710	$271.9	497,880	$546	Q1 2015
2.	Avalon Alderwood I Lynnwood, WA	367	67.8	352,238	$192	Q1 2015
3.	AVA Little Tokyo (2) Los Angeles, CA	280	112.4	285,220	$394	Q1 2015
4.	Avalon Assembly Row/AVA Somerville (3) Somerville, MA	445	129.0	382,117	$338	Q2 2015
5.	Avalon Wharton Wharton, NJ	247	51.1	245,531	$208	Q2 2015
6.	Avalon Hayes Valley San Francisco, CA	182	95.4	135,082	$706	Q2 2015
7.	Avalon Vista Vista, CA	221	56.7	222,814	$254	Q3 2015
8.	Avalon Roseland Roseland, NJ	136	46.3	192,641	$240	Q3 2015
9.	Avalon Baker Ranch Lake Forest, CA	430	130.2	425,497	$306	Q4 2015
10.	Avalon Marlborough Marlborough, MA	350	75.6	417,647	$181	Q4 2015
11.	AVA Theater District Boston, MA	398	181.4	324,982	$558	Q4 2015
12.	Avalon Bloomfield Station Bloomfield, NJ	224	51.0	211,156	$242	Q4 2015
13.	Avalon Framingham Framingham, MA	180	43.9	211,095	$208	Q4 2015
	Total	4,170	$1,312.7			

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(1) Total capitalized cost is as of December 31, 2015. The Company generally anticipates incurring additional costs associated with these communities that are customary for new developments.

(2) Development contains at least 10,000 square feet of retail space.

(3)

Upon completion of construction we considered each phase of these dual-branded developments as separate operating communities, both of which we own subject to a single land lease.

Redevelopment Communities

As of December 31, 2015, there were nine communities under redevelopment. We expect the total capitalized cost to redevelop these communities to be $122,000,000, excluding costs incurred prior to redevelopment. We have found that the cost to redevelop an existing apartment community is more difficult to budget and estimate than the cost to develop a new community. Accordingly, we expect that actual costs may vary from our budget by a wider range than for a new development community. We cannot assure you that we will meet our schedule for reconstruction completion or for attaining restabilized operations, or that we will meet our budgeted costs, either individually or in the aggregate. We anticipate maintaining or increasing our current level of redevelopment activity related to communities in our current operating portfolio. You should carefully review Item 1A. "Risk Factors" for a discussion of the risks associated with redevelopment activity.

The following presents a summary of these Redevelopment Communities:

		Number of apartment homes	Projected total capitalized cost (1) ($ millions)	Reconstruction start	Estimated reconstruction completion	Estimated restabilized operations (2)
1.	Avalon Towers Long Beach, NY	109	$ 10.2	Q4 2014	Q2 2016	Q4 2016
2.	Avalon at Arlington Square Arlington, VA	842	21.3	Q4 2014	Q1 2016	Q3 2017
3.	Avalon Bear Hill Waltham, MA	324	21.4	Q2 2015	Q3 2016	Q1 2017
4.	Avalon Santa Monica on Main Santa Monica, CA	133	10.0	Q4 2014	Q1 2016	Q3 2016
5.	Avalon Silicon Valley Sunnyvale, CA	710	29.9	Q4 2014	Q1 2017	Q3 2017
6.	AVA Back Bay Boston, MA	271	8.8	Q3 2015	Q1 2017	Q3 2017
7.	Avalon La Jolla Colony San Diego, CA	180	10.2	Q3 2015	Q3 2016	Q1 2017
8.	Avalon Walnut Ridge I Walnut Creek, CA	106	5.0	Q3 2015	Q2 2016	Q4 2016
9.	Avalon Pasadena Pasadena, CA	120	5.2	Q4 2015	Q3 2016	Q1 2017
	Total	2,795	$ 122.0			

(1) Projected total capitalized cost does not include capitalized costs incurred prior to redevelopment.
(2) Restabilized operations is defined as the earlier of (i) attainment of 95% or greater physical occupancy or (ii) the one-year anniversary of completion of redevelopment.

Development Rights

At December 31, 2015, we had $484,377,000 in acquisition and related capitalized costs for direct interests in land parcels we own, and $37,577,000 in capitalized costs (including legal fees, design fees and related overhead costs) related to Development Rights for which we control the land parcel, typically through a conditional agreement or option to purchase or lease the land. Collectively, the land held for development and associated costs for deferred development rights relate to 32 Development Rights for which we expect to develop new apartment communities in the future. The cumulative capitalized costs for land held for development as of December 31, 2015 includes $442,016,000 in original land acquisition costs. The original land acquisition cost per home, after consideration of planned sales of associated outparcels and other real estate, ranged from $16,000 per home in Massachusetts to $326,000 per home in New York. The Development Rights range from those beginning design and architectural planning to those that have completed site plans and drawings and can begin construction almost immediately. We estimate that the successful completion of all of these communities would ultimately add approximately 9,634 apartment homes to our portfolio. Substantially all of these apartment homes will offer features like those offered by the communities we currently own.

For 24 Development Rights, we control the land through a conditional agreement or option to purchase or lease the parcel. While we generally prefer to hold Development Rights through conditional agreements or options to acquire land, for the eight remaining Development Rights we either currently own the land, have an ownership interest in a joint venture that owns the land or have executed a long term land lease for the parcel of land on which a community would be built if we proceeded with development.

The properties comprising the Development Rights are in different stages of the due diligence and regulatory approval process. The decisions as to which of the Development Rights to invest in, if any, or to continue to pursue once an investment in a Development Right is made, are business judgments that we make after we perform financial, demographic and other analyses. In the event that we do not proceed with a Development Right, we generally would not recover any of the capitalized costs incurred in the pursuit of those communities, unless we were to recover amounts in connection with the sale of land; however, we cannot guarantee a recovery. Pre-development costs incurred in the pursuit of Development Rights, for which future development is not yet considered probable, are expensed as incurred. In addition, if the status of a Development Right changes, making future development no longer probable, any capitalized pre-development costs are charged to expense. During 2015, we incurred a charge of approximately $3,016,000 for development pursuits that were not yet probable of future development at the time incurred, or for pursuits that we determined would not likely be developed.

You should carefully review Item 1A. "Risk Factors," for a discussion of the risks associated with Development Rights.

The following presents a summary of these Development Rights:

Market	Number of rights	Estimated number of homes	Projected total capitalized cost ($ millions) (1)
New England	7	1,759	$575
Metro NY/NJ	12	3,673	1,295
Mid-Atlantic	4	1,305	352
Pacific Northwest	4	1,224	374
Northern California	4	978	481
Southern California	1	695	341
Total	32	9,634	$3,418

(1) Projected total capitalized cost includes all capitalized costs incurred to date (if any) and projected to be incurred to develop the respective community, determined in accordance with GAAP, including land acquisition costs, construction costs, real estate taxes, capitalized interest and loan fees, permits, professional fees, allocated development overhead and other regulatory fees.

Land Acquisitions

We select land for development and follow established procedures that we believe minimize both the cost and the risks of development. During 2015 we acquired direct and indirect interests in land parcels for eight Development Rights, as shown in the table below, for an aggregate investment of approximately $480,550,000. For six of the eight parcels, construction has either started or is expected to start within the next 12 months.

		Estimated number of apartment homes	Projected total capitalized cost (1) ($ millions)	Date acquired
1.	Avalon Newcastle I Newcastle, WA	378	$110.1	January 2015
2.	Avalon Newcastle II Newcastle, WA	272	73.7	January 2015
3.	Avalon Columbus Circle New York, NY	262	335.4	January 2015
4.	Avalon Dogpatch San Francisco, CA	326	203.4	February 2015
5.	Avalon Quincy Quincy, MA	395	95.3	March 2015
6.	Avalon Maplewood Maplewood, NJ	235	66.3	May 2015
7.	AVA Hollywood Los Angeles, CA	695	340.7	July 2015
8.	Avalon Sudbury West (2) Sudbury, MA	250	81.8	December 2015
	Total	2,813	$1,306.7	

(1) Projected total capitalized cost includes all capitalized costs incurred to date (if any) and projected to be incurred to develop the respective community, determined in accordance with GAAP, including land and related acquisition costs, construction costs, real estate taxes, capitalized interest and loan fees, permits, professional fees, allocated development overhead and other regulatory fees, net of projected proceeds for any planned sales of associated outparcels and other real estate.

(2) We acquired an indirect interest in this land parcel through an unconsolidated joint venture.

Table of Contents

Other Land and Real Estate Assets
We own land parcels with a carrying value of approximately $28,968,000, which we do not currently plan to develop. These parcels consist primarily of ancillary parcels acquired in connection with Development Rights that we had not planned to develop. We currently believe on the filing date of this report there is no need to record a charge for impairment for these parcels. However, we may be subject to the recognition of further charges for impairment in the event that there are indicators of such impairment and we determine that the carrying value of the assets is greater than the current fair value, less costs to dispose.
Disposition Activity
We sell assets when they do not meet our long-term investment strategy or when capital and real estate markets allow us to realize a portion of the value created over the past business cycle and generally redeploy the proceeds from those sales to develop, redevelop and acquire communities. Pending such redeployment, we will generally use the proceeds from the sale of these communities to reduce amounts outstanding under our Credit Facility or retain the cash proceeds on our balance sheet until it is redeployed into acquisition, development or redevelopment activity. On occasion, we will set aside the proceeds from the sale of communities into a cash escrow account to facilitate a tax deferred, like-kind exchange transaction. From January 1, 2015 to January 31, 2016, we sold our interest in three wholly-owned communities, containing 851 apartment homes. The aggregate gross sales price for these assets was $265,500,000.
Insurance and Risk of Uninsured Losses
We carry commercial general liability insurance and property insurance with respect to all of our communities. These policies, and other insurance policies we carry, have policy specifications, insured and self-insured limits and deductibles that we consider commercially reasonable. There are, however, certain types of losses (such as losses arising from acts of war) that are not insured, in full or in part, because they are either uninsurable or the cost of insurance makes it, in management's view, economically impractical. You should carefully review the discussion under Item 1A. "Risk Factors" of this Form 10-K for a discussion of risks associated with an uninsured property or liability loss.
Many of our West Coast communities are located in the general vicinity of active earthquake faults. Many of our communities are near, and thus susceptible to, the major fault lines in California, including the San Andreas Fault and the Hayward Fault. We cannot assure you that an earthquake would not cause damage or losses greater than insured levels. We have in place with respect to communities located in California and Washington, for any single occurrence and in the aggregate, $150,000,000 of coverage. Earthquake coverage outside of California and Washington is subject to a $175,000,000 limit for each occurrence and in the aggregate. In California the deductible for each occurrence is five percent of the insured value of each damaged building with a maximum of $25,000,000 per loss. Our earthquake insurance outside of California provides for a $100,000 deductible per occurrence except that the next $350,000 of loss per occurrence outside California will be treated as an additional self-insured retention until the total incurred self-insured retention exceeds $1,500,000. We self-insure a portion of our property insurance which includes the earthquake risks.
Through a wholly-owned captive insurance company, the Company is responsible for 12% of the losses for its property insurance coverage in excess of any applicable deductible up to the first $50,000,000 of loss, with amounts beyond that covered by third-party insurance.
Just as with office buildings, transportation systems and government buildings, there have been reports that apartment communities could become targets of terrorism. In December 2007, Congress passed the Terrorism Risk Insurance Program Reauthorization Act ("TRIPRA") which is designed to make terrorism insurance available through a federal back-stop program. Congress reauthorized TRIPRA in January 2015 for six years. We have also purchased insurance for property damage due to terrorism up to $400,000,000 including insurance for certain terrorist acts, not covered under TRIPRA, such as domestic-based terrorism. This insurance, often referred to as "non-certified" terrorism insurance, is subject to deductibles, limits and exclusions. Our general liability policy provides terrorism coverage through TRIPRA (subject to deductibles and insured limits) for liability to third parties that result from terrorist acts at our communities.

An additional consideration for insurance coverage and potential uninsured losses is mold growth. Mold growth may occur when excessive moisture accumulates in buildings or on building materials, particularly if the moisture problem remains undiscovered or is not addressed over a period of time. If a significant mold problem arises at one of our communities, we could be required to undertake a costly remediation program to contain or remove the mold from the affected community and could be exposed to other liabilities. For further discussion of the risks and the Company’s related prevention and remediation activities, please refer to the discussion under Item 1A. “Risk Factors - We may incur costs due to environmental contamination or non-compliance” elsewhere in this report. We cannot provide assurance that we will have coverage under our existing policies for property damage or liability to third parties arising as a result of exposure to mold or a claim of exposure to mold at one of our communities.

Table of Contents

We also carry crime policies (also commonly referred to as a fidelity policy or employee dishonesty policy) that protect the Company, up to $30,000,000 per occurrence, from employee theft of money, securities or property. This amount may not be sufficient to cover losses that may be in excess of the policy limits.

Edgewater Casualty Gain

In January 2015, a fire occurred at the Company’s Avalon at Edgewater apartment community located in Edgewater, New Jersey ("Edgewater"). Edgewater consisted of two residential buildings. One building, containing 240 apartment homes, was destroyed. The second building, containing 168 apartment homes, suffered minimal damage and has been repaired. In January 2016, the Company reached a final settlement with its property and casualty insurers regarding the property damage and lost income related to the Edgewater fire, resulting in aggregate insurance recoveries for these aspects of this matter, after self-insurance and deductibles, of $73,008,000. The Company received $44,000,000 of these recoveries in 2015 and expects to receive the remaining $29,008,000 during the three months ending March 31, 2016, which will be recognized as casualty gain and business interruption insurance recovery.

To date, a number of lawsuits on behalf of former residents have been filed against us, including four purported class actions. Having incurred applicable deductibles, the Company currently believes that all of its remaining liability to third parties will be substantially covered by its insurance policies. However, the Company can give no assurances in this regard and continues to evaluate this matter.

ITEM 3.   LEGAL PROCEEDINGS

As discussed immediately above, in January 2015, a fire occurred at the Company's Avalon at Edgewater apartment community in Edgewater, NJ.

The Company believes that the fire was caused by sparks from a torch used during repairs being performed by a Company employee who was not a licensed plumber. The Company has since revised its maintenance policies to require that non-flame tools be used for plumbing repairs where possible or, where not possible inside the building envelope, that a qualified third party vendor perform the work in accordance with AvalonBay policies.

The Company is aware that third parties incurred significant property damage and are claiming other losses, such as relocation costs, as a result of the fire. The Company has established protocols for processing claims and has encouraged any party who sustained a loss to contact the Company’s insurance carrier to file a claim. Through the date of this Form 10-K, of the 229 occupied apartments destroyed in the fire, the residents of approximately 76 units have settled claims with our insurer, and claims from an additional 44 units are being evaluated by our insurer.

To date, four putative class action lawsuits have been filed against the Company on behalf of Avalon at Edgewater residents and others who may have been harmed by the fire. The court has consolidated these actions in the United States District Court for the District of New Jersey. In addition, 18 lawsuits representing approximately 145 individual plaintiffs have been filed in the Superior Court of New Jersey Bergen County - Law Division. These cases have been consolidated by the court. The Company believes that it has meritorious defenses to the extent of damages claimed. Having incurred applicable deductibles, the Company currently believes that all of its remaining liability to third parties will be substantially covered by its insurance policies. However, the Company can give no assurances in this regard and continues to evaluate this matter

The Company is involved in various other claims and/or administrative proceedings unrelated to the Edgewater fire that arise in the ordinary course of its business. While no assurances can be given, the Company does not currently believe that any of these other outstanding litigation matters, individually or in the aggregate, will have a material adverse effect on its financial condition or results of operations.

ITEM 4.   MINE SAFETY DISCLOSURES

Not Applicable.

Table of Contents

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Our common stock is traded on the NYSE under the ticker symbol AVB. The following table sets forth the quarterly high and low sales prices per share of our common stock for the years 2015 and 2014, as reported by the NYSE. On January 29, 2016 there were 524 holders of record of an aggregate of 137,002,607 shares of our outstanding common stock. The number of holders does not include individuals or entities who beneficially own shares but whose shares are held of record by a broker or clearing agency, but does include each such broker or clearing agency as one record holder.

	2015			2014		
	Sales Price		Dividends	Sales Price		Dividends
	High	Low	declared	High	Low	declared
Quarter ended March 31	$181.69	$163.81	$1.25	$132.17	$114.16	$1.16
Quarter ended June 30	$176.43	$158.72	$1.25	$144.51	$130.04	$1.16
Quarter ended September 30	$180.24	$158.97	$1.25	$157.16	$139.27	$1.16
Quarter ended December 31	$186.89	$168.83	$1.25	$170.14	$141.00	$1.16

At present, we expect to continue our policy of paying regular quarterly cash dividends. However, the form, timing and/or amount of dividend distributions will be declared at the discretion of the Board of Directors and will depend on actual cash from operations, our financial condition, capital requirements, the annual distribution requirements under the REIT provisions of the Internal Revenue Code and other factors as the Board of Directors may consider relevant. The Board of Directors may modify our dividend policy from time to time.

In February 2016, we announced that our Board of Directors declared a dividend on our common stock for the first quarter of 2016 of $1.35 per share, a 8.0% increase over the previous quarterly dividend per share of $1.25. The dividend will be payable on April 15, 2016 to all common stockholders of record as of March 31, 2016.

Issuer Purchases of Equity Securities

Period	(a) Total Number of Shares Purchased(1)	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Dollar Amount that May Yet be Purchased Under the Plans or Programs (in thousands) (2)
October 1 - October 31, 2015	92	$182.85	—	$200,000
November 1 - November 30, 2015	4,266	$180.91	—	$200,000
December 1 - December 31, 2015	932	$181.52	—	$200,000

(1) Reflects shares surrendered to the Company in connection with exercise of stock options as payment of exercise price, as well as for taxes associated with the vesting of restricted share grants.

(2) As disclosed in our Form 10-Q for the quarter ended March 31, 2008, represents amounts outstanding under the Company's $500,000,000 Stock Repurchase Program. There is no scheduled expiration date to this program.

Information regarding securities authorized for issuance under equity compensation plans is included in the section entitled "Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters" in this Form 10-K.

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA

The following table provides historical consolidated financial, operating and other data for the Company. You should read the table with our Consolidated Financial Statements and the Notes included in this report (dollars in thousands, except per share information).

	For the year ended				
	12/31/15	12/31/14	12/31/13	12/31/12	12/31/11
Revenue:					
Rental and other income	$1,846,081	$1,674,011	$1,451,419	$990,370	$890,431
Management, development and other fees	9,947	11,050	11,502	10,257	9,656
Total revenue	1,856,028	1,685,061	1,462,921	1,000,627	900,087
Expenses:					
Operating expenses, excluding property taxes	448,747	410,672	352,245	259,350	246,872
Property taxes	193,499	178,634	158,774	97,555	88,964
Interest expense, net	175,615	180,618	172,402	136,920	167,814
(Gain) loss on extinguishment of debt, net	(26,736)	412	14,921	1,179	1,940
Loss on interest rate contract	—	—	51,000	—	—
Depreciation expense	477,923	442,682	560,215	243,680	226,728
General and administrative expense	42,396	41,425	39,573	34,101	29,371
Expensed acquisition, development and other pursuit costs, net of recoveries	6,822	(3,717)	45,050	11,350	2,967
Casualty (gain) loss and impairment loss, net	(10,542)	—	—	1,449	14,052
Total expenses	1,307,724	1,250,726	1,394,180	785,584	778,708
Equity in income (loss) of unconsolidated entities	70,018	148,766	(11,154)	20,914	5,120
Gain on sale of real estate	9,647	490	240	280	13,716
Gain on sale of communities	115,625	84,925	—	—	—
Gain on acquisition of unconsolidated entity	—	—	—	14,194	—
Income from continuing operations before taxes	743,594	668,516	57,827	250,431	140,215
Income tax expense	1,861	9,368	—	—	—
Income from continuing operations	741,733	659,148	57,827	250,431	140,215
Discontinued operations:					
Income from discontinued operations	—	310	16,713	26,820	20,065
Gain on sale of discontinued operations	—	37,869	278,231	146,311	281,090
Total discontinued operations	—	38,179	294,944	173,131	301,155
Net income	741,733	697,327	352,771	423,562	441,370
Net loss (income) attributable to noncontrolling interests	305	(13,760)	370	307	252
Net income attributable to common stockholders	$742,038	$683,567	$353,141	$423,869	$441,622
Per Common Share and Share Information:					
Earnings per common share—basic:					
	$5.54	$4.93	$0.46	$2.57	$1.55

Income from continuing operations attributable to common stockholders (net of dividends attributable to preferred stock)					
Discontinued operations attributable to common stockholders	—	0.29	2.32	1.77	3.34
Net income attributable to common stockholders	$5.54	$5.22	$2.78	$4.34	$4.89
Weighted average shares outstanding—basic (1)	133,565,711	130,586,718	126,855,754	97,416,401	89,922,465
Earnings per common share—diluted:					
Income from continuing operations attributable to common stockholders (net of dividends attributable to preferred stock)	$5.51	$4.92	$0.46	$2.55	$1.55
Discontinued operations attributable to common stockholders	—	0.29	2.32	1.77	3.32
Net income attributable to common stockholders	$5.51	$5.21	$2.78	$4.32	$4.87
Weighted average shares outstanding—diluted	134,593,177	131,237,502	127,265,903	98,025,152	90,777,462
Cash dividends declared	$5.00	$4.64	$4.28	$3.88	$3.57

(1) Amounts do not include unvested restricted shares included in the calculation of Earnings per Share. Please refer to Note 1, "Organization and Basis of Presentation—Earnings per Common Share," of the Consolidated Financial Statements set forth in Item 8 of this report for a discussion of the calculation of Earnings per Share.

Table of Contents

	For the year ended				
	12/31/15	12/31/14	12/31/13	12/31/12	12/31/11
Other Information:					
Net income attributable to common stockholders	$742,038	$683,567	$353,141	$423,869	$441,622
Depreciation—continuing operations	477,923	442,682	560,215	243,680	226,728
Depreciation—discontinued operations	—	—	13,500	16,414	23,541
Interest expense, net—continuing operations (1)	148,879	181,030	238,323	138,099	169,754
Interest expense, net—discontinued operations (1)	—	—	—	735	8,688
Income tax expense	1,861	9,368	—	—	—
EBITDA (2)	$1,370,701	$1,316,647	$1,165,179	$822,797	$870,333
Funds from Operations (3)	$1,083,085	$951,035	$642,814	$521,047	$414,482
Core Funds from Operations (3)	$1,016,035	$890,081	$792,888	$532,490	$420,763
Number of Current Communities (4)	259	251	244	180	181
Number of apartment homes	75,584	73,963	72,811	52,792	53,294
Balance Sheet Information:					
Real estate, before accumulated depreciation	$19,268,099	$17,849,316	$16,800,321	$10,071,342	$9,288,496
Total assets (5)	$16,931,305	$16,140,578	$15,292,922	$11,128,662	$8,453,547
Notes payable and unsecured credit facilities, net	$6,456,948	$6,489,707	$6,110,083	$3,819,617	$3,603,454
Cash Flow Information:					
Net cash flows provided by operating activities	$1,056,754	$886,641	$724,315	$540,819	$429,354
Net cash flows used in investing activities	$(1,199,517)	$(816,760)	$(1,181,174)	$(623,386)	$(443,141)
Net cash flows (used in) provided by financing activities	$33,810	$158,224	$(1,995,404)		